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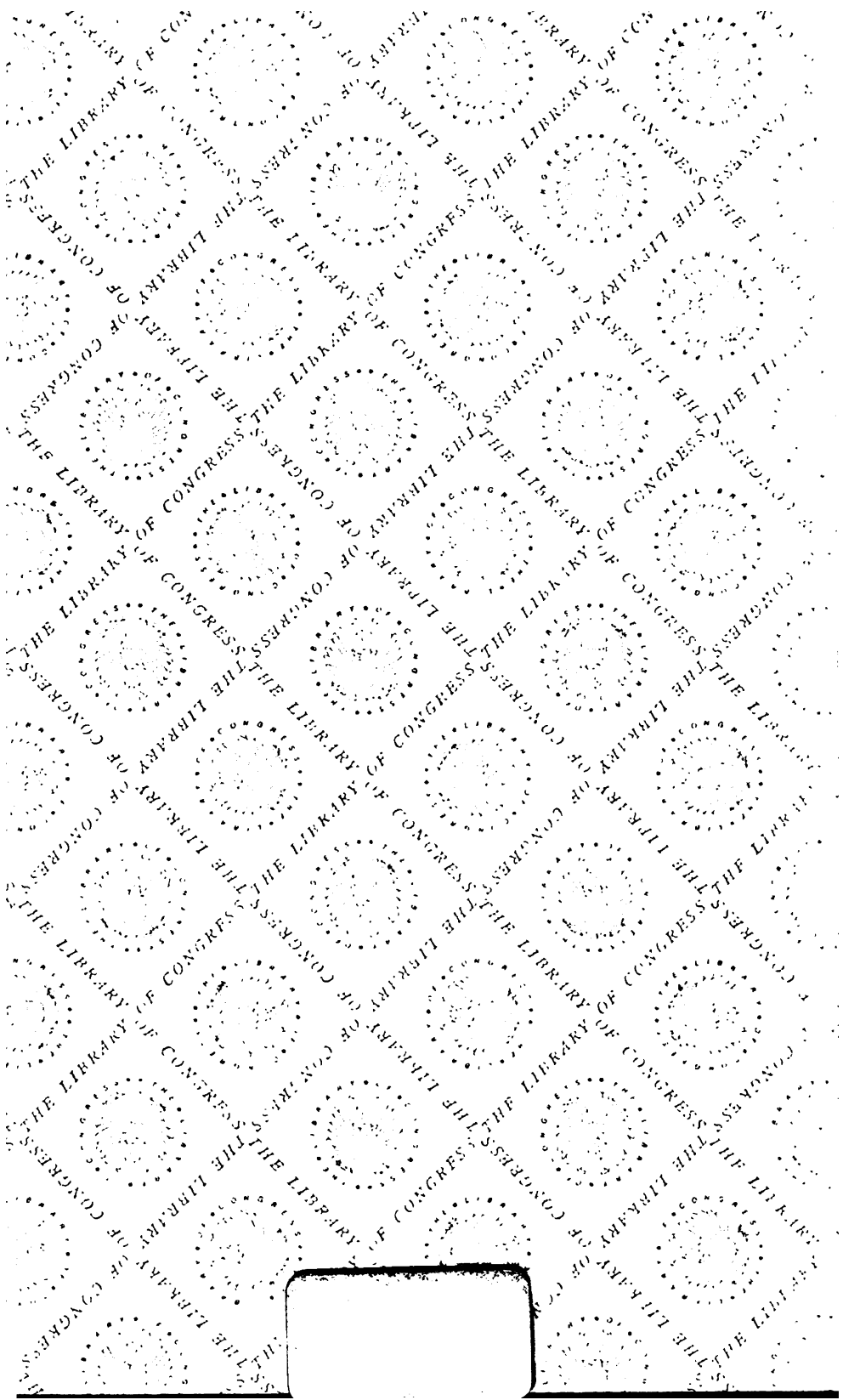
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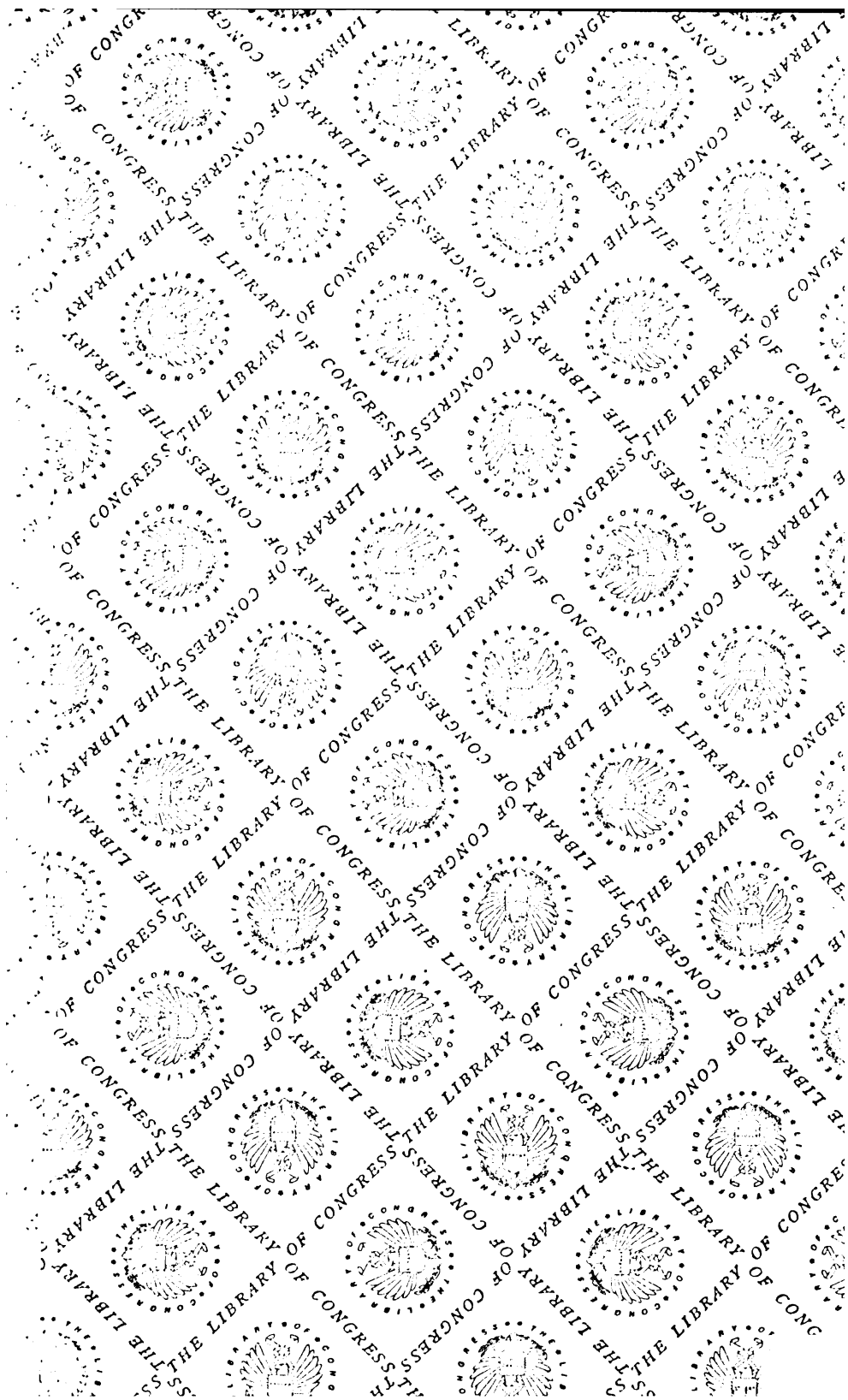
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1. The first step is to identify the problem or question that needs to be answered. This involves understanding the context and the specific requirements of the task.

SECOND-CLASS POSTAGE RATES

HEARINGS

BEFORE THE

U. S. Congress. Senate.

COMMITTEE ON POST OFFICES AND POST ROADS UNITED STATES SENATE

SIXTY-FIFTH CONGRESS

SECOND SESSION

APRIL 30 AND MAY 1, 1918



WASHINGTON
GOVERNMENT PRINTING OFFICE
1918

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1918

COMMITTEE ON POST OFFICES AND POST ROADS.

JOHN H. BANKHEAD, Alabama, *Chairman*.

ELLISON D. SMITH, South Carolina.
CLAUDE A. SWANSON, Virginia.
JAMES K. VARDAMAN, Mississippi.
THOMAS W. HARDWICK, Georgia.
J. C. W. BECKHAM, Kentucky.
KENNETH McKELLAR, Tennessee.
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WALTER GUION, Louisiana.

BOIES PENROSE, Pennsylvania.
CHARLES E. TOWNSEND, Michigan.
JOHN W. WEEKS, Massachusetts.
THOMAS STERLING, South Dakota.
GEORGE P. McLEAN, Connecticut.
JAMES E. WATSON, Indiana.
JOSEPH I. FRANCE, Maryland.

CECIL A. BEASLEY, *Clerk*.

ERNEST V. OTTS, *Assistant Clerk*.

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SECOND-CLASS POSTAGE RATES.

TUESDAY, APRIL 30, 1918.

UNITED STATES SENATE,
COMMITTEE OF POST OFFICES AND POST ROADS.

Washington, D. C.

The committee met pursuant to call at 2 o'clock p. m., in the committee room, Capitol, Hon. John H. Bankhead presiding.

Present: Senators Bankhead (chairman), Smith of South Carolina, Vardaman, Hardwick, Beckham, McKellar, Townsend, Weeks, Sterling, McLean, Watson, and France, of the committee; also, Senator Hitchcock.

Present, also, a large delegation from the American Newspaper Publishers' Association.

The CHAIRMAN. This meeting is called for the purpose of hearing a delegation representing the publishers of this country with reference to the newspaper provision of the revenue bill. I will ask Mr. Glass, who is a member of that delegation, to present the gentlemen whom he desires to have a hearing.

STATEMENT OF FRANK P. GLASS, ESQ., PRESIDENT OF THE AMERICAN NEWSPAPER PUBLISHERS' ASSOCIATION.

MR. GLASS. Mr. Chairman and gentlemen of the committee, I appear before you in the capacity of president of the American Newspaper Publishers' Association. Let me for a moment tell you what the association is, and just what its recent position is in connection with this matter of postage on second-class matter.

The American Newspaper Publishers' Association consists of 500 of the leading dailies of the United States, from ocean to ocean, from the Canadian line to the Gulf. I think I am safe in stating that there is not a large or an important daily in the country that is not a member of that association. It is a growing body. Sixty or seventy members have become united with it in the past year. It embraces the metropolitan papers as well as the middle-class papers and the smaller dailies of all types over the country. It is made up only of daily papers.

There have been differences in the body of the membership of the association on this question of second-class postage; but at the recent convention in New York, ending just last week, there was a pretty thorough thrashing out on the floor of those questions, and as the result a committee was appointed to try to harmonize the body on the subject, and that was a success. The body was har-

monized, and it made a unanimous vote for certain resolutions which I will simply read to you:

The following was passed unanimously at the annual convention of the American Newspaper Publishers' Association at its meeting on Thursday, April 25, 1918:

"Whereas the postal provisions of section 1101 of the act of Congress approved October 3, 1917, and which is to take effect July 1, 1918, will be unworkable in practice and will be most unfair and oppressive to the newspapers of the country, and to the reading public; Be it

"Resolved by the American Newspaper Publishers' Association, That Congress, if insistent upon legislation of this character, be urgently requested to modify said law in so far as it applies to the newspapers, along the general lines as proposed by the McKellar amendment, or, if the time be considered by Congress too short to do this, that Congress be urgently requested to suspend the provisions of said law, in so far as it applies to newspapers, until a complete and intelligent investigation can be made of the subject of newspaper postage.

"AMERICAN NEWSPAPER PUBLISHERS' ASSOCIATION.
"H. L. ROGERS, *President.*"

At a meeting of the Southern Newspaper Publishers' Association, held this day in New York City, the above resolution was unanimously approved and indorsed.

FRANK G. BELL, *President.*

At a meeting of the Inland Daily Press Association held this day in New York City the above resolution was unanimously approved and indorsed.

A. W. PETERSON, *President.*

So there, gentlemen, you have the action of the American Newspaper Publishers' Association, indorsed by these two other associations, the Inland and the Southern, all uniting on this one proposition about making a change in this law so far as it relates to newspapers. This association does not undertake to represent anybody or to speak for anybody besides the newspapers, but we have the authority—unanimous authority—to speak for them. In that relation the association has just appointed a new committee on this matter of postage, and of that committee Mr. George McAneny, of the New York Times, is chairman. I will now call upon him to make a statement before you in reference to this matter.

STATEMENT OF MR. GEORGE McANENY.

Mr. McANENY. As Mr. Glass has said, gentlemen, the argument that is submitted to you now—the appeal that is made to you—is made in the name of the daily press of America. We may say with authority that it is the unanimous voice of the daily newspapers. There are no considerations of classes of papers or of sections of publication. The resolutions that Mr. Glass has read represent a complete union of action.

I speak to you as the Vice President of the American Newspaper Publishers' Association, and as chairman of its newly organized postal committee. That committee, made up of 21 members, contains representative publishers, again of every part of the country, many of whom are here and all of whom are earnestly anxious to remain with you. I am not sure that that announcement will delight you—as long as you may need their counsel or as long as you are willing, patiently, to submit to their advice.

The present act, providing as it does in the first place for a considerable increase in the bulk of second-class postage, and in the

second place for a division between the news and advertising elements of the newspaper, for a graduated tax based upon the proportions of news and advertising, is a novel proposition. It is new particularly in the sense that it was passed as the result of discussion in conference between the two Houses, without original introduction in either House, and without argument or hearing at any time on the part of the newspaper publishers.

Since the passage of the act in October the publishers have studied with great care its effect—its probable effect, its certain effect—in many particulars, and frankly, gentlemen, they are very much alarmed. They do not believe that the mechanical system provided for carrying out the plan can be made to work without confusion and without increased expense. They have the evidence of reports that have come to them from canvasses of their subscribers, and they are convinced that the act in operation will reduce materially that part of their circulation that now proceeds through the mails. I may add, with all respect to all who are concerned in the matter, that they fail utterly to see any advantage accruing to the Government as the result of its enactment.

The plan is incorporated in the war-revenue bill, but it is not a part of the war tax. In the case of the increase that is to flow from higher rates on first-class postage, the Government's war fund is the beneficiary. The excess of receipts on first-class mail matter over last year's receipts is to go into the war fund. In the case of second-class returns, however, any increase that may accrue, if there be any in the net, is to go to the postal funds. It means, in short, the incorporation in the war-revenue act of a complete new system of second-class postage—in other words, of a permanent postal law.

When the bill was reported to the Senate—that is, in the conference report—Mr. Simmons used this language:

I do not believe that we ought to tax these facilities for the purpose of defraying the expenses of the war. That has been my view all the time. Entertaining that opinion about it, I felt that the adjustment of postal rates was not a matter for the Finance Committee but was a matter for the Post Office Committee. I was glad, therefore, when in conference we were able to write into the compromise a provision now under discussion—the provision that the tax now imposed should not take effect until July, 1918. I trust, Mr. President, that before that time arrives the Post Office Committee will work this matter out in a more satisfactory way than your committee or the conferees have been able to work it out.

In other words, gentlemen, with this promise made to the publishers, to the press, and to the reading public, naturally there has been an expectation that the necessarily hasty work of the conference would be reviewed and that a measure more nearly fitting the actual need of the Government and the working need of the publisher himself might be brought forward. We understand, of course, the extraordinary pressure that has been placed upon you and upon your time by matters of vast concern during all the period since, but we are still asking that the promise of Mr. Simmons's announcement to the Senate shall be kept.

We approached this matter, as Mr. Glass has said, with some original difference of opinion as to just what does constitute the need of the Government in this matter. I think, however, that most newspaper publishers are of opinion that the need for any increase of the

sort has not yet been shown in the case of newspaper publications. There are differences in the subdivisions of second-class mail. I do not seek to suggest them or to elaborate upon them. I speak, as we all do, merely for the newspapers in this matter. If there be abuses still existing in the carriage of second-class mail that are capable of correction through an act of Congress or through the Post Office Department, let those abuses be corrected, and in correcting them you will have the hearty support of all who are concerned, as we are, in securing a fair and economical and serviceable operation of the postal laws. But, gentlemen, in the case of the newspapers, I submit that need has not been shown. On the contrary, the Post Office Department last year covered over into the Treasury a profit upon its operations of \$12,229,000. We can not conceive, many of us—

Senator HARDWICK. Would it disturb you if I should interrupt you to ask a question?

Mr. McANENY. Certainly not.

Senator HARDWICK. What was the loss in that same period in second-class mail matter?

Mr. McANENY. What is referred to as a "loss," drawn from the mere receipts from second-class matter and the estimates of the cost of carriage, Senator, in my judgment, is not a loss.

Senator HARDWICK. What were the figures, do you remember—I mean the department's figures?

Mr. McANENY. I do not remember exactly. I think the difference ran around sixty-five or seventy millions of dollars, did it not, Mr. Koons?

Mr. KOONS. \$72,000,000.

Senator HARDWICK. \$72,000,000?

Mr. McANENY. Yes; but where a great department of this nature is divided into four sections of service, and those sections are absolutely interdependable, where the second and third class mail are among the chief sources of development of the business of the first and fourth class mail, then it is not fair to separate them and say, "This is run at a loss and this at a profit." That argument would apply with just as much force to the Government's running the Rural Free Delivery Service, which was an extension of service welcomed by all the country, essential to its growth, and proven through experience since to be invaluable. But, nevertheless, the Rural Free Delivery Service costs fifty or sixty millions of dollars, does it not, Mr. Koons?

Mr. KOONS. \$54,000,000.

Mr. McANENY. \$54,000,000; and the returns that are traceable to it are not more than seven or eight million dollars. You have, in short, in the Postal Service, a great business working through all of its parts to produce a profit, and you have every cent of revenue that comes into that department produced by the people who mail letters and who receive newspapers, alike. In other words, there is no loss at all to the Government. If there be a profit arising, baldly, from the carriage of first-class mail, without any further consideration, without thought as to how that profit is derived or served or built up by the other classes, you might say there is a profit there. But who pays it? The people who use the mails pay it. And who gets the benefit of the easy and prosperity-making distribution of the second-class mail matter? The people who pay that first-class postage.

There is not a man or a woman or a business concern anywhere in the country who uses the mails for letters who does not also use them to get second-class matter. It is upon that easy flow and exchange that the post office has been built up to become the wonderful piece of enginery that it is and able to serve the country as it does. The Post Office Department as a department earns a profit to the Government, and, in our judgment, there is no "loss" to the Government in any branch of its operation. But if it were contended, nevertheless, that there is, then surely that theoretical loss comes under the head of a Government expenditure for a Government service to the people. Leaving aside the indisputable fact that the people who use the mails are paying for it, it becomes of the class of the services performed by the Department of Agriculture, of the services of the Department of Commerce, or of the Bureau of Education, of perhaps one-half of the operating departmental services of the country. It is turning out results and incurring expense that goes to help build up the Nation, and that goes to develop the national entity. That is peculiarly true, of course, and has been traditionally true of the second-class postage.

But now, gentlemen, even if there were need of disturbance—and it is now proposed that, in the midst of general confusion and disturbance and upsetting of business everywhere, we should venture this risk and make this experiment—what will the probable result be? The Post Office Department figures that if there be carried the same poundage that was carried last year, there will be an increase in revenue, under this bill, of \$4,900,000 in the year, from second-class operation.

The CHAIRMAN. Does that include magazines as well as newspapers?

Mr. McANENY. Yes.

Senator HARDWICK. Second-class postage.

Mr. McANENY. The department figures that there will be an increase in revenue from second-class postage for the first year of \$4,900,000; for the second year, I think it is \$9,800,000, for the third year something over \$13,000,000, and for the fourth year something over \$16,000,000.

Let us consider, naturally, the nearest year. If you talk of war expense and war economies, we naturally think of the first year. That \$4,900,000 is based upon the continued full use of the mails, as they are used to-day, by the second-class matter; but in the very nature of things there must be a great decrease in such use of the mails. A very large proportion of those who now pay postal rates upon their newspapers and other publications, will not be able to afford the increases, and in large measure circulation will go down. It might be argued by the department—and let it be clearly understood, gentlemen, that we have nothing but friendly desire to be of service to the department, not only in any plans they may have for helping us in our predicament, but in any way that we can aid them in carrying out their plans, if that must be; although we view that with apprehension, as I have said—

Senator VARDAMAN. May I ask you a question in that connection?

Mr. McANENY. Yes, Senator.

Senator VARDAMAN. Do you view the operation of the law with apprehension, or the extra burden upon the newspapers with apprehension, as limiting them in their work in any way?

Mr. McANENY. I can not make this too plain, gentlemen. There will, in a sense, be no extra financial burden placed upon the newspapers through the operation of this law. They will have but one course, naturally, to pursue; they must alter their subscription rates to take care of the increased cost.

Senator HARDWICK. Unless they increase their advertising.

Mr. McANENY. That is not a fair test, Senator.

Senator HARDWICK. That is their principal source of revenue, is it not?

Mr. McANENY. No; the newspapers do not desire to increase their advertising to the exclusion of the necessary news in the next year. I may cite one newspaper which was able, a few days ago, and thought it a matter of public duty, to announce that it had thrown out \$7,000 worth of advertising the night before in order to make room for dispatches from abroad that cost it \$13,000; and I think, with variations in scale, that that is the way in which the newspapers are facing their duties in this matter.

Senator HARDWICK. I have studied this matter a good deal, and I want to get your idea in regard to it. They might make that up from their advertising either by increasing the volume of the advertising or by increasing the rates of advertising, or both, might they not?

Mr. McANENY. I may assure you—

Senator HARDWICK. I mean, that would be possible?

Mr. McANENY. If you will permit me, Senator—

Senator HARDWICK. Yes.

Mr. McANENY. Speaking from the inside—that is, representing those who are on the inside of the operation of newspaper offices, I will say that to meet the extraordinary increases of cost that have been put upon the newspapers in the past year in the price of paper—a matter which has been before the Senate, naturally, in its other phases, and in the cost of every other material that goes into the making of a newspaper—they have already raised their advertising rates about as far and as hard as the advertiser will stand it.

Senator HARDWICK. Has that made up for the increased cost of print paper? Have you passed that, in other words?

Mr. McANENY. No; the increase in the cost of print paper has been 50 per cent, at the minimum, in the case of the larger papers using great quantities of paper, and from that up to 100, 200, and even 300 per cent in the cost to others; and I should say that the increase during two years in the rates that the advertising fraternity have been able to stand might figure anywhere around 15 to 18 per cent. Advertising can not be forced, in short, to do much more than it is doing to-day.

Now, to answer Senator Vardaman more directly, when it comes to placing the new cost, that this bill will impose, it naturally must go upon the subscriber; there is little or no dissent about that. The newspapers to-day have so adjusted their business that they have taken into account the fact that the Government service, as a service, takes care, largely, of the postage. They are, in a sense, merely collecting the postage that the Government imposes upon the subscriber. It has not been a great while since the Government itself collected that postage, and the bills for postage were put in the boxes of those who received the publications. As a measure of convenience, in the

evolution of the thing, that duty was taken over by the newspapers. The newspaper is collecting the Government's postage rate. There is very little margin between that and its profit from papers that do not go into the mails. In fact, for one, I may tell you that in New York, in Philadelphia, and in Boston, for instance, where the average annual rate to the subscriber is \$10, with the mere addition of the postage to be collected under this plan, in the farthest of the zones, that rate would go to \$18.80. In other words, the cost to the subscriber would be nearly doubled.

Senator HARDWICK. If it does not disturb you for me to suggest these questions to you, as your argument proceeds, I want to get at this.

Mr. McANENY. Not at all.

Senator HARDWICK. If there is a limit as to what the advertiser can be induced to carry by way of a burden, why may there not be exactly the same limit as to what the subscriber may be induced to carry, and why are we to suppose that the present modern movement for cheaper papers, bringing them down to a penny for a while—I guess it has come up a little since then——

Mr. McANENY. It has not gone down.

Senator HARDWICK. It did for quite a while. I know until recently it did.

Mr. McANENY. No; it has not gone down below 3 cents as yet anywhere.

Senator HARDWICK. The tendency for quite a while, however, was to lower the price.

Mr. McANENY. The tendency now is the other way.

Senator HARDWICK. But that has been the modern tendency of newspaper development—to lower the price of the paper.

Mr. McANENY. In most cases that has not——

Senator HARDWICK. What do the New York newspapers sell for on the street?

Mr. McANENY. Two cents.

The CHAIRMAN. They did sell for 1 cent.

Mr. McANENY. They did sell for 1 cent, but that was at a time when they were not paying 3 cents and more a pound for their paper.

Senator HARDWICK. Yes; but the modern tendency until this European trouble started was to press down the price to the subscriber. There has been competition between newspapers, some papers trying to get larger subscriptions and a larger reading clientele than others, has there not?

Mr. McANENY. There have been few cases in large cities where the prices for the same class of papers within the city have not been uniform. There may have been isolated cases here and there. In order to meet the increased cost of production many of the newspapers throughout the country have increased their price from 1 cent to 2 cents.

Senator HARDWICK. I know that.

Mr. McANENY. They have done that. They have increased their advertising rates as much as possible and have practiced every economy, and still the increases in their cost, as the result of the increased price of everything used in their production, have been in

excess of what they can save out of these new measures. Those are questions of fact.

Senator HARDWICK. Yes.

Mr. McANENY. Now, returning to the question of who shall bear this burden, there can be very few exceptions to the rule that the newspapers to-day are merely collecting the cost of the postage for the Government.

Senator VARDAMAN. And just on that, do you think, as a matter of adjusting taxation, that it is altogether fair to tax all the people for this postage for the paper that goes to certain individuals or that those individuals themselves should pay for the papers which they enjoy. Should the increased burden of the taxation be upon the man who takes the paper?

Mr. McANENY. It has been the theory of this Government, as I understand it, for a great many years that in matters of education and in matters of the development of industry and similar matters—

Senator HARDWICK. Exactly, if you will pardon me; and that is why we made the distinction on advertising.

Mr. McANENY. Senator, I again assure you that your notion about the importance of advertising as a balancing factor in solving this problem is not based upon correct principles.

Senator HARDWICK. I can assure you that, in my judgment, it is, and I have come to the conclusion that that is absolutely true. I have come to that conclusion as we have proceeded.

Mr. McANENY. And I offer the testimony of newspaper men upon the other side.

Senator HARDWICK. You see this testimony was not offered in the Senate.

Mr. McANENY. It was, and it was debated, and there was no advertising tax—

Senator HARDWICK. No; there was no advertising tax.

Mr. McANENY. No; there was no advertising tax. There was exactly the same principle accepted on advertising.

Senator HARDWICK. Not on the same scale. I do not want you to state these things without my correcting them. The proposition on which we originally fixed a rate that was practically nominal to diffuse education among the people is, in my opinion, prostituted when you invoke it to support a business scheme like advertising for business purposes.

Mr. McANENY. In my opinion advertising is used to-day more than ever before not only to keep alive the business institutions upon which the life of the Nation depends, but to keep a lively interest on the part of the people in the actions of the Government and in the flotation of its great loans. Therefore the time is not opportune to turn to speculative postal increases based on the cost of advertising.

Senator HARDWICK. Well, we do not agree on that. I just wanted to ask you these questions—with your permission, of course.

Mr. McANENY. Certainly.

Senator HARDWICK. I am very much interested in your viewpoint, but I want you to know that we have thought about these things ourselves.

Mr. McANENY. Yes; I can well believe it. I am basing my statement on the opinions of those who have thought about it with even

keener interest than yours, and I am giving you their unbiased judgment in the matter.

Senator HARDWICK. We are very glad to have it.

Senator MCKELLAR. To what extent do the bulk of the great newspapers circulate? Is it not true that the exception of two or three great newspapers like yours, probably 95 per cent or more of the newspapers circulate within 300 miles of where they are published?

Mr. McANENY. If you take individual newspapers, that is probably true. If you take the number of copies of newspapers that are put in the mail and sent to individual subscribers, it probably would come very much nearer 50-50.

Senator MCKELLAR. Fifty-fifty?

Mr. McANENY. I could not give you the exact figures. Perhaps Mr. Glass could.

Mr. GLASS. No; I could not. I do not know that those figures have been made up.

Senator MCKELLAR. Take a newspaper like yours, what percentage of your paper circulates within a radius of 300 miles of Birmingham?

Mr. GLASS. About 99 per cent of it.

Senator MCKELLAR. Then I want to ask you this question: Have you examined into the actual cost of the carriage of these papers within those three zones?

Mr. McANENY. Oh, yes; so far as the figures are available.

Senator MCKELLAR. Could you tell the committee whether it was more or less than 1 cent a pound as paid within those zones—not under the proposed law?

Mr. McANENY. You mean the cost to the Post Office Department?

Senator MCKELLAR. Yes.

Mr. McANENY. There is, of course, a variation in that cost, as time and distance increase. I can not pretend to give you the exact figures. Maj. Stahlman, who will follow me, has followed the figures much more closely and expects to speak about them, so that I will leave the question for him to answer.

Senator MCKELLAR. If you will excuse me for interrupting you again—

Mr. McANENY. Certainly.

Senator MCKELLAR. My opinion is that the bulk of the loss that the Government sustains by the carriage of second-class mail matter is because of magazines and other periodicals in the nature of magazines which are sent as second-class postal matter. I believe that the newspapers, in a large measure, pay their own way, but to a very, very much larger extent do they pay their own way than do the other publications, and I think there is a distinct difference between the cost of carriage of newspapers and the cost of carriage of magazines. As a rule, magazines are published in this country, and they go all over this country at a flat rate of 1 cent a pound, whereas newspapers that are published in New York, while they circulate to a greater extent than newspapers published in Birmingham or Atlanta or Memphis, and other places like those, still, I think when you come to look at it you will find, as to a great paper like yours, that probably 90 per cent of its circulation is within a distance of 300 miles of the place of publication.

Senator HARDWICK. If you could give us those figures I wish you would.

Senator McKELLAR. Just take your paper. If you could give us that information we would like that. Where papers circulate within 300 miles they are very nearly, if not quite, paying their own way now, and I think there is a strong point in your favor.

Mr. McANENY. Frankly, I would have to guess at that, but out of a circulation of 350,000, I should imagine that about 20,000 are sent out of the city within the zones that you speak of; but the department has not yet charted out the zones themselves; the figures are not worked up.

Senator McKELLAR. Yes.

Mr. McANENY. A considerably larger number in our case would be in the outer zones.

Senator McKELLAR. That is true with your paper?

Mr. McANENY. Yes.

Senator McKELLAR. Will you look into that, and when you revise your testimony will you insert in it such a statement as you wish to make about your own paper?

Mr. McANENY. Yes, sir.

Senator HARDWICK. I will be very glad, Mr. McAneny, to have you, if you can, give the figures.

Mr. McANENY. Well, we are all quite anxious that no judgment here should follow a single paper or a group of papers.

Senator McKELLAR. We understand that.

Mr. McANENY. I, for instance, have my views about the zone plan. but I am here to urge, with all vehemence, that if this law is in fact to go into effect on the 1st of July, that at least it shall be modified so that the zone plan adopted shall be something similar to the plan that the Senator introduced during the debate in the Senate. I would personally go further than that, but I am here to speak for that, distinctly. And there we recognize that you can not charge one class of newspapers against another. We are talking about the press of the entire country.

You have spoken of distinctions that lie between magazine and newspaper circulation, and their costs. Undoubtedly those distinctions exist. They belong to the nature of the two industries. I am pleading the case of the newspapers, and when you come to the newspapers you will find, as I have indicated, that while the great majority have circulations that are within the nearer zones, you will also find that the proportion of single newspapers that go to the subscribers through the mails is very much nearer an even division, and we, without distinction of newspaper or section, or any other interest, are urging that these things shall be corrected and changed in order that newspaper circulation in itself, whether in the near-by or remote sections, may proceed without the check that this legislation is bound to give it.

Senator HARDWICK. If you will pardon me a moment, I am very much interested in your argument, but I am very much more interested in getting facts. The facts are of tremendous importance. When you revise your testimony, will you please give us, if it is available, the percentage, in round numbers, of your publication that goes to the different zones referred to in section 1102?

Mr. McANENY. I would very much prefer that you make that a general request.

Senator HARDWICK. I am only asking you about the thing that you are supposed to know about.

Mr. GLASS. Will you allow me to interrupt a moment?

Senator HARDWICK. Certainly.

Mr. GLASS. Mr. McAneny is not here representing simply the New York Times, but he is here as vice president of the American Newspaper Publishers' Association.

Senator HARDWICK. Oh, if there is any objection, I will not ask him.

Senator VARDAMAN. If you will permit me, Senator: Mr. McAneny, will you take a dozen of the leading newspapers of New York with which you are connected here and give their circulation within the zones and the circulation in the more remote sections, or approximate it?

Mr. McANENY. I do not think the man lives that can do that.

Senator HARDWICK. I do not want you to try that, because I think you will have enough to do to give it for your own paper.

Mr. McANENY. It would not be possible for me to give it with reference to even one paper.

Senator HARDWICK. Of course, I feel like, if you come before us here asking for legislation, there is no fact that you ought not to try to give us.

Mr. McANENY. It is our opinion that it would not be possible for us to give you those facts.

Senator HARDWICK. But you do not object to us knowing the facts, do you?

Mr. McANENY. I think that neither we, nor you, nor the Post Office Department have the facts on which permanent legislation of this sort should be based.

Senator HARDWICK. Why not let us have as much as you can furnish?

Mr. McANENY. As much as we can furnish; yes.

Senator HARDWICK. Of course, if you do not want to, as I say—

Mr. McANENY. We would like to have it quite as much as anybody.

Senator HARDWICK. We would like to have the facts about every newspaper in the United States.

Mr. McANENY. My own would not be typical. It would not be presenting to the committee for their judgment what affects every newspaper in the United States, but what affects 100 or 1,000 newspapers.

Senator HARDWICK. The committee would probably have intelligence enough to judge for itself, if you would just give us the facts.

Mr. McANENY. I will make it more direct, sir. I will very gladly join with other gentlemen in furnishing such statistics.

Senator HARDWICK. On that question?

Mr. McANENY. In connection with my own and other newspapers; but your own mind and personal interest in the matter I may not be able to satisfy.

Senator HARDWICK. You will not give it to us as to your own paper?

Mr. McANENY. I do not think that would be at all valuable.

Senator HARDWICK. Suppose the committee thinks otherwise? Then we can not get it, anyway?

Mr. McANENY. I trust the other members of the committee will rest somewhat upon my judgment in the matter.

Senator HARDWICK. Oh, well; I thought you wanted to give us such facts as you had.

Senator VARDAMAN. Would it be possible for the newspaper men of New York who are associated with you here to give the committee the information that Senator Hardwick asks?

Mr. McANENY. In a general way, certainly; we would be glad to do so.

Senator VARDAMAN. That is what we ask, in a general way—that is, in New York itself or in other cities—in the larger cities of the country, in Chicago and St. Louis and Cincinnati and Louisville, Ky., and Philadelphia and Boston. Now, if we could get that information generally—

Mr. McANENY. Senator, you want information, and you want information that will give you a basis upon which to reach your conclusions, that shall be general and typical, and really have some meaning. There is just one place to get that information.

Senator HARDWICK. Where is that?

Mr. McANENY. That is the Post Office Department.

Senator HARDWICK. We have that.

Mr. McANENY. If you have got it, I have not anything to add to what you have got.

Senator HARDWICK. We have not got it as to particular newspapers.

Mr. McANENY. Oh, yes; you have.

Senator HARDWICK. I do not know. Have we, Mr. Koons?

Mr. KOONS. Oh, yes.

Senator HARDWICK. I do not know about the detail. The only reason I ask you—

Mr. McANENY. Mr. Koons can tell you.

Senator HARDWICK. Has the department the information as to the typical newspapers in this country showing what percentage of them will go to each zone?

Mr. KOONS. We have only the average, Senator, of papers generally.

Senator HARDWICK. That is what I thought.

Mr. McANENY. That is as much as anybody could give you at this particular moment; but you have that information as to each of the large papers.

Mr. KOONS. We would not have it as to any one paper.

Senator HARDWICK. That is what I thought. As to the New York Times, you would not have it?

Mr. McANENY. You have information as to the poundage carried, Mr. Koons?

Mr. KOONS. Yes.

Senator HARDWICK. But as to which newspapers carry it, you have not got that?

Mr. McANENY. No, sir; no one could furnish it.

Senator HARDWICK. Well, you can not do it?

Mr. McANENY. You mean that the newspapers should furnish here the number of pounds and the number of copies that are carried in each of these zones?

Senator HARDWICK. Yes.

Mr. McANENY. No; I say no one could do it.

Senator HARDWICK. You could not approximate it, even?

Mr. McANENY. No, sir; it has not been worked out.

Senator HARDWICK. That is why I am trying to get it. I have never seen it.

Senator TOWNSEND. I have not been in the room during all of your testimony. Are you complaining that this is a financial wrong of your paper or the other papers of the country—this present system?

Mr. McANENY. No, Senator. Our chief complaint or argument is that this legislation will operate to reduce greatly the circulation of newspapers in the United States.

Senator TOWNSEND. You do not argue it from the financial standpoint?

Mr. McANENY. We do not. There may be individual papers that will suffer financial loss. I have no doubt there are. I do not understand, however, that they are pleading their case under that head. In the hearing before the Senate Finance Committee—the only hearing, as I understand it, that was generally open on this subject—at the time of the war-revenue debate those who spoke for the newspapers made it plain that they are not objecting to a tax. As the chairman of their committee then said, if you want all of their profits as a need of the war, they will gladly turn all of their profits over; but what they have objected to is the fact that they have been placed in a class by themselves, ostensibly for the purposes of a peculiar tax, extra to that laid on other industries, but a tax that in effect will serve not to collect greater revenue, but to discourage and suppress and reduce their circulation.

Senator TOWNSEND. There was testimony before us on that ground, but there was also a great deal of testimony put in by publishers to the effect that this increase of second-class postage was going to put a great many of the newspapers out of business, and I think that was very strongly urged before our committee.

Mr. McANENY. I think that those who made that argument—who made it or still make it—had in view possibly the need of carrying that expense themselves in order to keep their circulation. I doubt whether any of them to-day would still argue that it would be a safe risk, even to try, to keep that expense themselves. The alternatives, in short, are those that were then urged. One is putting some newspapers out of business, or reducing them to the point where, their circulation being so low, that would put them out of business. The other is putting this extra cost of postage upon the millions of readers of newspapers throughout the country. And that is what the act is bound to do. The publisher of a large newspaper in the West, in the course of a meeting we held here two or three weeks ago, and later in a talk that we had with Mr. Burleson, gave an instance. On the 1st of March he sent out certain renewal bills. With 400 of them he sent a memorandum that on the 1st of July there would be an increase, somewhat, in postage rates, which he indicated, and that would naturally be paid in the subscriber's next bill. With the other bills he sent nothing—just the bills. Out of the first 400 he had 116 stop orders before he came to Washington, and on the others he had two; and he brought his stop orders, the letters, and all the correspondence, and presented them to the Postmaster General. That is the way this act is going to operate.

Senator HARDWICK. The newspapers would have to absorb it. then? They could not pass it to the subscribers?

Mr. McANENY. Absorb it how, Senator? No: the newspapers are not able to add to their present cost.

Senator HARDWICK. It seems to me that your argument is proceeding in a circle. You said first that they would do it, and now that they can not do it.

Mr. McANENY. No; I did not.

Senator HARDWICK. I said, speaking in an argumentary way, you said first that they would pass it on to the subscribers, and now you say they can not.

Mr. McANENY. They can not pass it to those who can not pay it.

Senator HARDWICK. Then they can not afford to do it?

Mr. McANENY. They must pay it or give up those subscribers.

Senator HARDWICK. That is the alternative that they face, unless they can do it in some other way?

Mr. McANENY. Yes; and they have studied this thing, and I should venture to say that you will not get any different result from any of them as the result of their study of it. They can not, in many cases, pay it themselves, and if they pass it to the subscriber in 50 per cent of cases—my friend from Minnesota made it 65 per cent on his estimate of his circulation—they will lose the subscriber. When a newspaper is sold to-day at \$10 a year, and \$1.85 of that is postage and \$8.15 represents what the publisher nets, and when that is less than he nets from the sale of his paper through other sources than the mails, when, as you see, he must charge that subscriber with an increase up to \$8.80, making a total charge ranging to \$18.80, there will be very few that will pay it, and of course he will lose those subscribers.

Senator HARDWICK. What would be the result of the subscription being 25 per cent, or, say, 50 per cent, less?

Mr. McANENY. Reduction in circulation?

Senator HARDWICK. Yes.

Mr. McANENY. It often occurs that reduced circulation results in reduced advertising.

Senator HARDWICK. The larger the circulation, generally, the larger the advertising?

Mr. McANENY. Yes.

Senator HARDWICK. That is the general rule?

Mr. McANENY. I do not think that in the case of the metropolitan papers, however, it would make one-half of 1 per cent in the advertising.

Senator HARDWICK. Taking the country as a whole, is not that the rule?

Mr. McANENY. No, sir. I would rather hear from those who print papers in other parts of the country, as to how it affects them: but I really do not think this loss of subscriptions is going to have a very material effect upon advertisers who are now there and paying for advertising.

Senator VARDAMAN. To carry your argument to a logical conclusion, it would be better, then, to have the Government pay the postage, and let the papers circulate without any charges whatever? Do you think that?

Mr. McANENY. No; I do not. But I do not think that the present situation, to which the publishing industry has been adjusted, should be changed without a great deal more careful consideration of what the effect will be, or until there has been more convincing proof offered than there yet has been.

Senator VARDAMAN. Taking it as an educational institution, do you not think that its circulation would be vastly increased—that its influence would be extended by an increase in circulation, and the circulation would be increased—if the Government should carry it free of charge?

Mr. McANENY. Well, Senator, that is a—

Senator VARDAMAN. If the circulation is going to be limited by this increase in postage, certainly the effect of taking the postal charges off entirely would be to add to the circulation, would it not?

Mr. McANENY. Why, I presume it would. If the Government would add a premium for each subscription, it would increase it still further.

Senator VARDAMAN. But we are discussing—

Senator HARDWICK. You are not asking us to give a premium, though, are you?

Mr. McANENY. No, sir.

Senator HARDWICK. Well, that is good.

Mr. McANENY. We are asking that the system under which part of the cost has been paid by the subscribers and part, frankly, by the Government, or, as I put it here a while ago, by the subscriber, through his contributions to the first-class postage receipts, be not changed. The Government, outside of the Post Office Department, does not pay and has not paid a cent for it. The Post Office Department derives its revenue from the same clientele that is served by the circulation rates. Now, logically—if we are in logic—when the Post Office Department figures as it is figuring to-day that it costs an average of $7\frac{1}{2}$ cents to carry the second-class matter, logically you should raise the rate to $7\frac{1}{2}$ cents, and not to the lower grades that are in this bill. The grades that are in this bill are sufficient to obstruct and to disrupt and injure the usefulness of the press. You might put it entirely out of business in the mails. The Government does not want to do that. Traditionally, as I have said, it has done otherwise. Business, industry, and prosperity in this country have been built up upon the present policy. We all know that. That is a trite statement with which everybody is familiar.

What we are now pleading is that in a time like this, of all times, there should not be a hazardous new adjustment of the postal arrangements.

You have right across the border an example exactly to the opposite. The Canadian Government, in its effort to get printed matter everywhere during the war, with its news and messages and appeals for the Government, reduced its mail rate from one-half cent a pound to one-fourth of a cent a pound, and that is the Canadian rate to-day. We, at a time when the circulation of the press is of infinite value to the country and to the Government, are proposing to reduce and restrict it. It is against that sort of policy, gentlemen, that we take exception, and it is in the hope that you will correct that sort of policy that we make our appearance here to-day.

Now, as I have said, when it comes to our recommendations, it was not in the minds of either House when the conference report was made that this system should stand. It was, of necessity, as I have said, put together hastily. The Postmaster General did not favor it. On the contrary, representing the Government, he wrote to the committees and said that he did not think that this postal legislation should go into a revenue bill; that he did not think this matter should be confused with other issues; and that he thought it ought to be left for settlement—

Senator WATSON. Mr. McAneny, up to this time you have confined your argument entirely to the pending measure, or the law that will go into force on the 1st of July—negative argument, in other words. What do you positively propose? Do you desire to go back to the original condition of things before this law was passed?

Senator HARDWICK. Before you get into that, let me make this suggestion, if you will, before he leaves the Postmaster General's position. It happens that the Postmaster General's position is a matter of record, and it is also well known to me personally.

Mr. McANENY. I will explain that later.

Senator HARDWICK. I hope you will qualify that. I know that you would not intentionally leave a wrong impression.

Mr. McANENY. I have said that the position of the Postmaster General at the time this matter was under debate was as I have stated it.

Senator HARDWICK. Not exactly. Of course you so understand it, but I have had repeated conversations with the Postmaster General, and he did not think that letter-postal rates ought to be increased at all; he thought that there was no occasion or necessity for it; that revenue for the war could be raised easier and better in other ways; and he always contended that it is the first-class postal rates on which he contends that the Government has had a large profit, and as a necessary consequence there should be some raise in circulation postal rates.

Mr. McANENY. I have his letter to the committee; that he showed me himself when this matter was discussed in his office.

Senator HARDWICK. It so happens that the Postmaster General was the proponent and advocate and, I think, the author of this provision that is in the law now. He went before the conference committee and advocated it.

Mr. McANENY. Yes; but he has stated that while this legislation should not have been enacted in this matter—

Senator HARDWICK. Yes; he did not want it touched at all.

Mr. McANENY (continuing). Yet if Congress was set upon doing it, there was nothing left for him to do except to present the system that he believed best, and he believed in the present system.

Senator HARDWICK. That is it, exactly. He urged that the present Government post-office arrangements should not be changed at all.

Mr. McANENY. He said that he preferred that it be not injected into this discussion—this legislation.

Senator HARDWICK. I just wanted to get that straight. I did not want to leave it that way.

Mr. McANENY. Now, my argument, although it has been called negative, is nevertheless an argument that the need of doing this thing has not been shown to the satisfaction of the publishers by any

means; that in the Post Office Department, while there are clear figures as to the cost of transporting second-class mail, the figures of overhead, which make three-fourths of the entire cost, are necessarily deductions from gross figures having to do with the entire department; and that while in some cases it is possible to segregate these overhead charges and to apply them directly to second-class mail, broadly speaking we have not yet a separate and distinct statement, analyzed and in detail, of the so-called cost of handling the second-class mail.

We feel, moreover, that the distinctions between newspaper and magazine carrying, within the second class, have not been properly ironed out or the respective costs made clear. We have nothing to say as to the argument that was made for the magazines. We are merely pleading our own case. No doubt others will speak for that industry. But at the same time there is nothing to show clearly the distinction of cost—what each should bear. At a time when the subject is still uncertain, at a time, I repeat—I can not repeat it too often—when it was in the judgment of Congress to do this thing, without opportunity for examination or argument on the part of the publishers, time is still left to take a slower pace, gentlemen; and if you feel that any new system should stand a try out during what is left of the war period, we say that it should be not a system which mixes our advertising and news in these confounding ratios, but at least a clearer system, such as Senator McKellar suggested.

As to the system under discussion, which we think will be unworkable, it means in the first place this, that each newspaper which goes into the mails must be separately appraised as to its postage paying before it is dropped into the sack. If a newspaper has four editions, and it happens that some of each of these get into the mails, then upon a single night it will have 28 different rates of postage to figure up and pay. They must in turn be based upon measurement. I have not a shadow of a doubt that the Post Office Department will do its utmost to make the thing work smoothly if it can. That is its disposition, and it is proceeding fairly along those lines, but we who know the inside conditions of things do not believe it can be made to work. When you have measured up the two classes of matter in these hundreds of columns and said, "Here is your advertising and here is your news," and then have attempted to separate all into seven or eight different zones, and those zones have to follow routes, cities, and States, and still are all governed by miles—and you have how many second-class privilege papers—over 12,000, is it not, Mr. Koons?

Mr. KOONS. Yes.

Mr. MCANENY. Each with its own system of zones—radiating around each of the 50,000 post-office towns or cities in the United States you will have to have a zone system—and then if it is physically possible to divide the newspapers into these zones you will have to measure them up every night upon the basis of advertising and news. It is proposed, moreover, as one of the very natural suggestions of the department, that each paper shall bear printed upon its face before it goes into the mails the percentage of news and the percentage of advertising in it; in other words, in the middle of the night, when every minute is worth its weight in gold, the presses are

to be stopped and the forms are to be measured up and the last plates are to be held before they are put through the stereotyping apparatus, in order to carry that percentage. It would take half an hour to get it—it can not be done, gentlemen. Although the department may do its best to make it work, it can not be done.

Senator McKELLAR. Just a minute, right there. The reason that applies to the newspapers which you just mentioned would not apply to magazines, for instance, because they are either weekly or monthly, and they have more time? Time is not so much of the essence of the proposition with them.

Mr. McANENY. I should judge that their position in that matter would be distinctly different.

Senator HARDWICK. Of course the department will present its views on each one of these matters; but why can not the department, even after the newspapers are printed, take a foot rule and measure these columns and figure the amount of advertising and the amount of news?

Mr. McANENY. We can not do it and print it on the face of the paper as it is published.

Senator HARDWICK. I say, after the papers are printed? You keep files of them, even after they are put into the mails, after they have gone out.

Mr. McANENY. We are required by this law to file a copy of them, of each of them, with the Postmaster General. To keep files of such papers alone would take a storage warehouse within a year.

Senator HARDWICK. Why can you not take a week or a month, or whatever is necessary to give stability, and average this matter up?

Mr. McANENY. Now, there are the problems we are wrestling with.

Senator HARDWICK. It does not seem to me like that is a difficult problem.

Mr. McANENY. I am afraid there will be infinite difficulty in it.

Senator HARDWICK. It does not seem so to me.

Mr. McANENY. Then after it is all done, after you have imposed this new and unworked, and we think unworkable, system on the post office, and after you have certainly cut down the circulation of the newspapers, and their influence, and after you have established precedents upon which further harm will be done, what is the return the Government gets out of this? It is a theoretical, uncertain return for the first year estimated at \$4,900,000, and that, in turn, will be cut by the additional administrative costs, and by the losses in circulation. I dare say, below \$4,900,000; and if it is argued that at least you save all the carrying of the matter that is thus cut, I say yes, but you do not save on the three-quarters of the charge that is overhead. That goes on just the same. That will have to bear a new distribution and new prorated charges.

The CHAIRMAN. You say that the saving will be over \$4,000,000, it is estimated, for the first year?

Mr. McANENY. \$4,900,000.

The CHAIRMAN. That includes all second-class matter?

Mr. McANENY. I so understand; yes.

The CHAIRMAN. Now, I would like to know what the increase is going to be on the newspapers.

Mr. McANENY. We can not answer that.

The CHAIRMAN. Eliminate the magazines, and everything else but the newspapers that you gentlemen are here representing.

Mr. McANENY. If we could answer that question I believe the argument would be closed by you, in our favor.

The CHAIRMAN. Can not the Post Office Department answer it?

Mr. McANENY. I do not think so.

The CHAIRMAN. Can not you answer that, Mr. Koons?

Mr. KOONS. I think we can, by to-morrow or the next day.

Mr. McANENY. I would like to see even an estimate of it, Mr. Koons, because it would be bound to reduce the estimated profit to the Government upon the class of publications we are discussing to a still smaller amount; and all that would be left of it, after all this confusion and dissatisfaction from one end of the country to the other, among newspaper publishers and readers alike, is not worth it.

The CHAIRMAN. What I think is that we should treat this question as a newspaper proposition. I want to eliminate from the discussion and from the consideration of this committee, as far as we can, all consideration of magazine mail and all other second-class matter except newspaper publications.

Mr. GLASS. That is the proposition of our association, Mr. Senator.

The CHAIRMAN. I think it is highly important. I do not know how the committee feels about it, but I think it is highly important that we should have some idea of what the increased revenue is going to be under the provisions of this bill, from newspaper mail, eliminating everything else.

Mr. McANENY. Mr. Koons says he can furnish that.

Senator McKELLAR. Could we get him to do this, also; to get, first, what it is going to be under the law as it will go into effect on July 1; and second, Mr. Koons, if you will take a copy of the amendment that is proposed here, which is substantially the same as the amendment I offered last year, and see what the income will be under that amendment, so that we can thrash out whatever difference there is.

Mr. McANENY. I think so. Mr. Koons figures that the \$4,900,000 is based upon an average of 60 per cent news and 40 per cent advertising as the ratio.

Senator SMITH of South Carolina. But that also includes magazines?

Mr. McANENY. Yes; the magazines. It is based upon these premises; and Mr. Koons will correct me if I am mistaken. Assuming, in the first place, that the average of news will be 60 per cent and the advertising 40 per cent. In the second place it is based upon the poundage carried last year, and does not allow for shrinkages of carriage that will come through reductions of circulation.

Senator SMITH of South Carolina. Mr. Koons, have you any data that will show the percentage in newspapers of what may be advertisements, as compared with magazines and their reading matter?

Mr. KOONS. Yes.

Senator SMITH of South Carolina. Can you tell me about how it compares?

Mr. KOONS. Most of the newspapers run about 50-50.

Mr. McANENY. In New York City I know that is true, and in most of the larger cities it would average about 50-50.

Senator SMITH of South Carolina. Then, that would make the magazines, if the two are about the same volume in the mails, run higher. The magazines would be higher.

The CHAIRMAN. You do not want to forget that there are other newspapers in this country aside from the metropolitan newspapers.

Mr. McANENY. We do not overlook that ourselves.

Senator VARDAMAN. I would suggest that these gentlemen present the case of the newspapers. There will be other gentlemen here representing these other interests?

Senator HARDWICK. Yes; they will all be here.

Senator VARDAMAN. And then we can hear the Post Office Department. When he gets through his case we will hear the others and then hear the Government.

The CHAIRMAN. It will greatly facilitate the matter, because Mr. McAneny does not want to discuss anything but the newspapers.

Mr. McANENY. You are right.

Senator SMITH of South Carolina. As the members of the committee have suggested, this committee has to be informed as to the revenue. I take it this law is to raise revenue. If we separate the newspapers from the magazines—

Mr. McANENY. I thought that was abandoned.

Senator SMITH of South Carolina. What is the use of talking at all, then?

Mr. McANENY. We are here to ask that question, Senator.

Senator SMITH of South Carolina. If it is a question of revenue, separate the magazines from the other mail matter and then let us have the information that the Post Office Department can give us, and determine whether there is going to be any revenue or not.

Senator BECKHAM. As I understand, you do not complain so much of the increase in the rates under this system as you do against the difficulties and complications of meeting the requirements of the zone system?

Mr. McANENY. Our objection is twofold. In the first place, there is the mechanical plan itself, which we do not think will prove workable, and that we think will lead to a great deal of confusion; and in the second place, and by far the greater consideration, that it will reduce the circulation all over the country, that it will cut off subscribers by tens of thousands; that is inevitable, because the rates that are imposed on the outer zones are prohibitive.

Senator VARDAMAN. It will cut your subscriptions because of the cost of postage?

Mr. McANENY. I beg your pardon?

Senator VARDAMAN. I say it will reduce your subscriptions because of the increase in rates?

Mr. McANENY. Yes.

Senator VARDAMAN. That will cause the reduction in your circulation?

Mr. McANENY. There are two classes of increase, Senator. In the first place there is the flat increase, effective after a year. This is a 50 per cent increase upon all postage of all newspapers, without regard to zones, news and advertising alike.

Senator VARDAMAN. I say it is the increase in postage rates that is going to reduce your circulation.

Mr. McANENY. Yes.

Senator VARDAMAN. And also there is the difficulty because of difficulty in enforcing the law?

Mr. McANENY. Difficulty in enforcing it.

Senator VARDAMAN. And the working of the law?

Mr. McANENY. And the effect upon circulation. There are two classes of increase. One is the flat, general increase of 50 per cent, effective after a year, upon all newspapers, whether their circulation be 300 or 3,000 miles.

Senator VARDAMAN. Yes.

Mr. McANENY. In the second place, there is the gradual increase in the zones, above that 50 per cent, until, as you get even into the middle zones, the cost to many becomes practically prohibitive except as to fractions of circulation.

Senator VARDAMAN. Yes; your statement is correct.

Senator BECKHAM. Then the Government, instead of getting increased revenue from this plan, would, by reason of the decrease in your circulation, lose revenue?

Mr. McANENY. In the net; although it would be offset, as I have said, by whatever saving there might be in the cost of transportation.

Gentlemen, may I sum up in just this word that we are absolutely of one opinion in this matter—the newspapers of the country. We think that this law as it stands to-day is not only unworkable, but that it will oppress the newspaper industry to such a point that its efficiency will be greatly impaired. We cite, we think in all fairness, the separate and different, the reverse, treatment with which the Canadian Government has dealt with its press in this matter.

If we come, nevertheless, to a determination to continue to assess the higher charges, then we do ask at least that the newspapers within the two first zones of the McKellar amendment shall be exempt from this amendment. In the case of these newspapers, and in those zones, there appears to be no reason at all for increase, because they are carried even at a saving to the Government in the cost of transportation. We say, at least stop, then, your zone system at a point where real extra cost begins to count up. Even if it cuts down circulation and the country suffers the consequences of such a cut, preserve the equities of the smaller newspapers in the first two zones. And finally we ask, if there be not time left for changes of this sort, that if you may wish to proceed with more consideration, with more statistics, that then, without prejudice to either side, or to any argument, you will hold the matter in suspension until we have passed into less troubled times and until we have had larger opportunity to find out just what the operation of this law will mean; until, in short, we are in better position to answer questions such as you have addressed to me to-day. That is our argument. We hope very earnestly that in reporting this bill you will see fit to let it carry an amendment that does one of the two things that I have suggested, that either returns to the zone plan of the other amendment, or that holds the matter in suspension until it may be more thoroughly and satisfactorily thrashed out.

Senator WATSON. That is, the return to the original condition?

Mr. McANENY. Not a return to it. That condition has not yet been disturbed.

Senator WATSON. No.

Mr. McANENY. That is, to withhold the operation of the act that is to go into effect on the 1st of July until we are in clearer waters both as to national affairs and as to the publishing industry. We think no one will say for a moment that the argument is idle that the Government needs the widest possible circulation of its press at this time.

Senator SMITH of South Carolina. Some of them.

Mr. McANENY. What is that?

Senator SMITH of South Carolina. I say it needs the circulation of some of them.

Mr. McANENY. Yes; possibly that is true; but very few of them could be spared; and we ask why at this moment of all others the hazard should be made, a new experiment be tried, when even the promised returns are so slight and so theoretical. That is the view we hope that you will take as you consider this matter.

Senator WEEKS. Mr. McAneny, I was not in favor of this legislation; I did not think this was the time nor the place to make the change; but I do think that the second-class mail should pay more nearly the cost of its transportation than it does. If the conditions of the past were restored and no change were made, is the press of the country going to be willing to come here and adjust second-class mail rates to some degree on the cost to the Government of transporting mail?

Mr. McANENY. I think that the press will be more than willing to come here and to go over that whole matter with you in the light of the experience of the Government and after proper inquiry and consideration to abide by your judgment, no matter what that judgment may be, so long as it is based upon real examination of the case; but when we say "costs" we of course also have in mind the balancing benefits of the second-class service. We would want you to consider those two things side by side, as you naturally would.

Senator WEEKS. I have heard those things for years, and of course there are two sides to all of those questions; but I have devoted some time to the consideration of these matters, and I do not think that the press does pay enough for its transportation. But I would not change it now, if I had entire control of it.

Now, here is one other consideration. Congress is going to increase the rates of pay to the employees, \$30,000,000. What have you got to say about the difference between the surplus last year and that \$30,000,000?

Mr. McANENY. I do not think that those two things should be weighed against each other.

Senator WEEKS. But who should pay that?

Mr. McANENY. If the costs of administration are increased—salaries and hours and so on—I think that that is an administrative measure that belongs to a different enterprise of the Government and has little to do with the things we have been discussing. Our argument in relation to the postage rate deals with postage rates as a part of the Government service, and that service at the present moment should be given in any department without regard to costs.

Senator WEEKS. Are you not willing to take into consideration the increased cost of conducting that service?

Mr. McANENY. I do not think that the rates of second-class matter should be raised in order to meet increases of administration—higher salaries—certainly not without further examination.

Senator WEEKS. All right.

The CHAIRMAN. Is that all? We must hurry along, here.

Mr. GLASS. Mr. Chairman and gentlemen of the committee, the newspaper association will next present to you Maj. E. B. Stahlman, editor of the Nashville Banner, one of our members who has given most careful study to this subject for months and month and is a strong advocate of the position that the newspapers shall pay their way in this matter of second-class postage, and I think he will be able to present some very interesting and instructive facts to you gentlemen.

The CHAIRMAN. We will be glad to hear you, Maj. Stahlman.

STATEMENT OF MAJ. E. B. STAHLMAN, EDITOR OF THE NASHVILLE BANNER.

Maj. STAHLMAN. Mr. Chairman and Senators, I have a deep interest in the pending matter but am not feeling well enough to handle the subject as I would probably be able to do if I felt perfectly well.

I have had more or less to do with this question for quite a while, have made inquiry into the merits of it, and careful investigation of the subject. I had not gone very far, Mr. Chairman, until I discovered what I believe to be true, that the newspapers of this country, barring a few of the metropolitan papers, are paying their way. In other words, they are paying enough postage on their papers now to meet the cost of transportation and a reasonable overhead charge, certainly within a zone of 300 miles.

I have had some experience in transportation, having been connected with one of the great railroad systems of this country for about 30 years, and after I had looked into the nature of the contracts that the Post Office Department had been able to make under a wise act passed by the Congress in 1916, and the judicious manner in which the department has handled that act in making contracts with the railroads, so as to fix the cost paid to the railroads on a space rather than on a weight basis, I believe that the contracts made now, practically with all of the railroads of the country, will very much aid the department in reducing the cost of transportation. I believe that even before those contracts were made the price of 1 cent a pound being paid by the newspapers was sufficient under the weight basis to more than meet the cost of transportation.

Senator McKELLAR. You mean within the 300-mile zone?

Maj. STAHLMAN. Yes, sir; within the 300-mile zone. I would not, Mr. Chairman and Senators, stand before this committee and ask you to do anything for the newspapers that in any way required the Government to render us a service that we are not willing to pay for. I do not look upon the business of conducting newspapers as an eleemosynary enterprise. It is a business and should be conducted on business principles.

Surely, in dealing with the Government, those of us who have for years been decrying bounties and subsidies do not wish to stand in

the attitude of asking the Government in times like these to continue to pay us a bounty, whether great or small.

Entertaining this view, I came here last year to make an investigation of this question and took part in the effort to pass the amendment introduced by Senator McKellar, which would require the newspapers to pay a higher postal rate beyond the 300-mile zone, and which I believe the newspapers ought to pay, because the service rendered beyond that distance costs the Government more than the present rate of 1 cent per pound, and I do not want the Government to do anything for me as the publisher of a newspaper that I am unwilling to pay for. That was what the Newspaper Publishers' Association of the country declared themselves in favor of at the time and what they stand for to-day.

In the enactment of the law approved on the 3d day of October of last year the conference committee, seeking, no doubt, to accomplish something on the lines advocated by us, went beyond that—way beyond it—by interjecting a proposition which greatly confused the whole situation. Not only did the committee succeed in doing that, but it passed a bill that discriminated against the newspapers. No wonder the distinguished chairman of the Senate Finance Committee, in presenting the conference report to the Senate, declared he did not know what the effect of the enactment of that law would have and felt gratified that it would not take effect until after the 1st of July, expressing the hope that the Post Office Committee of both Houses would look into the matter in the meantime and enact a law that would be fair and just. That act was passed, although ostensibly intended to reach the magazines and fix a rate beyond the 300-mile zone to catch the magazines, raised the rate within the 300-mile zone 125 per cent above the cost of transportation and reasonable overhead charges, while it failed to put a rate on the zones beyond sufficient even to meet the bare cost of transportation paid by the Government to the railroads.

We are not here to ask you to increase the rate of the zones beyond; we are not here to make war on the publishers of magazines; but we are here to ask you to do for the newspapers what we feel that you in all fairness should do. The Post Office Department was not created and never was intended to be operated for profit; neither ought it to be operated at a loss.

Senator VARDAMAN. That is right.

Maj. STAHLMAN. But it ought to be operated on a basis that would be fair and just as between the publishers and the department in such a way that no discrimination shall exist in favor of the one class against the other; and that is why we are here now seeking to get rid of a proposition which is burdensome.

I will tell you what it will cost us. I can tell you what it will cost me. I have been paying to the Government approximately \$20,000 per annum for the transportation of newspapers that I send by mail, and I am publishing comparatively a newspaper with a moderate circulation. It will, during the first year under this law, cost me about \$6,500 more; the second year about \$13,000 more.

Senator VARDAMAN. Major, will you object to telling me the circulation of your paper? About how much is it?

Maj. STAHLMAN. About 50,000. The third year it will cost \$18,000 more and the fourth year and thereafter \$25,000 more than it costs

now to carry my newspaper; and I just know that this is not fair. I know it is not going to cost the Government any more to carry my papers after that law goes into effect than it has heretofore; and when I find that I am now paying all that I ought to pay for carrying my papers, I feel that the Government ought not to exact an additional rate.

I have circulation beyond the 300-mile zone—quite considerable circulation—and I want to pay an increased rate on that.

Senator WATSON. Major, have you figured out—I presume you have—about what it has cost the Government to transport your papers?

Maj. STAHLMAN. Yes, sir; I have the figures.

On the 25th of June, 1917, desiring to look carefully into the matter of cost paid by the Government to the railroad, I called at the Post Office Department and was advised that Mr. James B. Corridon, the head of the Bureau of Railway Adjustment, would give me the information. I handed Mr. Corridon the following inquiry in typewritten form:

INQUIRY AND ANSWER.

What does the department, under the space basis, pay to railroads for the use and service of 60-foot and 30-foot cars in length, respectively, for the following distances, to wit: Mail pay, one way, 100 pounds, 60-foot-car basis:

First zone (50 miles).....	\$0.12 $\frac{7}{8}$
Second zone (150 miles).....	.29 $\frac{1}{4}$
Third zone (300 miles).....	.56 $\frac{1}{2}$

Assuming that the average weight carried per car aggregates 12,000 pounds per trip, what will be the cost to the Government per 100 pounds paid to the railroad on each of the above-mentioned distances, I do not mean to include overhead charges or expenses incurred by the department in any other way in the above figures, but only what the department pays to the railroads under the space contract system.

The cost, of course, to include initial terminal allowance to the railroads for each one-way trip, which, I presume, for example, should be added to each 300-mile haul, that being about the average distance of a one-way daily trip.

Mr. Corridon, after having directed a careful investigation, had inserted under the head of "Mail pay, one way, 100 pounds, 60-foot car basis," the figures opposite each of these three zones as shown. I have the original paper in my possession and will show it to members of the committee, if desired.

In presenting this paper thus completed as an answer to the inquiry, Mr. Corridon stated it should be borne in mind that on several of the roads, and particularly trunk lines running east and west, there were cars required on the trips westward which had to be returned empty, and upon which returned empty cars the mileage was paid for by the Government at the same rate per mile as though they were loaded, and that according to his best estimate these empties would represent not exceeding 40 per cent eastbound of the total number of loaded cars westbound, but he did not believe that many cars were returned empty in either direction on roads running north and south.

The cost of transportation paid by the department to the railroads, as furnished by Mr. Corridon, head of the Bureau of Railway Ad-

justments, and based on 12,000 pounds, carried in a 60-foot car per 100 pounds would be in all of the zones as follows:

First zone (50 miles)-----	\$0. 12 ¹ / ₄
Second zone (150 miles)-----	. 29 ¹ / ₄
Third zone (300 miles)-----	. 56 ¹ / ₄
Fourth zone (600 miles)-----	1. 12 ¹ / ₄
Fifth zone (1,000 miles)-----	1. 76
Sixth zone (1,400 miles)-----	2. 40
Seventh zone (1,800 miles)-----	3. 04
Eighth zone (2,200 miles)-----	3. 68

The CHAIRMAN. Major, let me ask you this question: Did you make those figures under the system heretofore in vogue; that is, the weight system, when we were paying by weight? .

Maj. STAHLMAN. No, sir.

The CHAIRMAN. Or did you make them on the space system?

Maj. STAHLMAN. They are made on the space basis.

Senator MCKELLAR. You have given the increase in the cost under the bill that will go into effect on July 1. Would that same increase apply to the papers in every State outside of the great metropolitan papers?

Maj. STAHLMAN. It would apply to daily newspapers everywhere, including the metropolitan papers.

Senator MCKELLAR. I know; but I am talking about your increase in the cost for the transportation of your papers; it would be the same for all great newspapers in every State in the United States?

Maj. STAHLMAN. Yes; and all of my circulation sent by mail within the 300-mile zone, as well as beyond that distance.

These figures for each and all of the zones were made on the basis of the cost paid to the railroads for transportation. They do not include the cost paid for 40 per cent extra cars (often hauled in train loads) for the magazine publications, upon which the Government secures tonnage and revenue only one way, while it pays the railroads for the use of the cars both ways, for the reason that the newspapers of the country do not require extra cars. They only use the cars regularly in the service on regular trains.

The suggestion is advanced that the foregoing figures are erroneous, and that the estimate of the daily weight of mail carried upon which they are based will not average 12,000 pounds per car.

Assuming the daily average to be less than 12,000 pounds, it is equally true that the estimate of cost is based on the largest-sized cars in use by any railroad and the highest price paid by the Government for the use of such cars. It is therefore not unreasonable to contend that in cases where the daily mail per car does not average 12,000 pounds cars of less size are used. In other words, it stands to reason that the department would not employ the use of the largest cars and invite the largest cost when cars of less size and less cost would answer the purpose.

We have, through the kindness of the department and the courtesy of the Hon. John A. Moon, chairman of the House Committee on Post Offices and Post Roads, been furnished with a schedule of prices paid by the department for cars and space supplied by the railroads to the Government, as follows:

Rates of pay, Railway Mail Service, space basis.

Class of service.	Rate per mile.	Initial terminal allowance for each trip one way.
Full R. P. O. cars 60 feet in length.....	\$0.21	\$4.25
Apartment R. P. O. cars 30 feet in length.....	.11	2.75
Apartment R. P. O. cars 15 feet in length.....	.06	2.00
Storage cars and storage space:		
Cars 60 feet in length.....	.21	4.25
Cars 30 feet in length.....	.10½	2.12½
Apartment cars 15 feet in length.....	.05½	1.06½
Closed-pouch service:		
Space 7 feet in length.....	.03	.50
Space 3 feet in length.....	.01½	.25

The foregoing exhibit indicates clearly that where the daily average weight per car may be only, for example, one-half—i. e., 6,000 pounds—the use of cars 30 feet in length should suffice and reduce the cost to the Government correspondingly, thus leaving the cost in 30-foot cars for 6,000 pounds weight at practically the same rate per 100 pounds that it would cost to carry 12,000 pounds in cars 60 feet in length. It also shows, if the average weight should only reach 3,000 pounds per car, that a compartment 15 feet in length should suffice, and the use of 15 feet space in such cases would again leave the cost to the Government at the same rate per 100 pounds. Indeed, this exhibit as to the cost of cars and space to the Government indicates that the Post Office Department, under the act of Congress providing for the use of cars on a space basis, has planned so wisely that even mail transported under the “closed-pouch service” is being carried at a price that entails practically no greater cost to the Government per 100 pounds in having mail carried on the smaller roads or branch lines than the cost of having larger quantities of mail carried on trunk lines in the largest mail cars in use.

On the basis of Mr. Corridon's figures for the first three zones of 300 miles, the average cost of railway transportation for the first two zones of 150 miles would be $21\frac{1}{4}$ cents and for the three zones of 300 miles $49\frac{1}{4}$ cents per 100 pounds; and this is not an extravagant, but just, contention, since at least 70 per cent of the mail circulation of a large majority of the daily newspapers is not carried beyond a zone of 150 miles, while approximately 20 per cent is delivered between the zones of 150 and 300 miles and the remaining 10 per cent goes beyond 300 miles, upon which higher rates will be paid under the proposed amendment we are asking to have adopted.

The claim that 60-foot cars are incapable of carrying 12,000 pounds and that 30-foot cars will not carry 6,000 pounds is now, for the first time, being strenuously asserted. We insist, nevertheless, that this weight can be and is being carried, and the fact would be amply demonstrated by the department itself if its records were gone into.

While R. P. O. cars 60 feet in length, constructed throughout with cases and shelves, may not conveniently take care of 12,000 pounds of average mail, such as parcel post and other like bulky and light-

weight traffic, the railroads furnish many 60-foot cars so constructed as to leave a considerable portion free from cases and shelving and thus give ample open-space room that will enable them to carry 12,000 pounds and even greater weight. Many 30-foot cars are constructed in like manner.

In addition, the railroads furnish 30 and 60 foot cars without casing or shelving at the same price—so-called storage cars—in which from 20,000 to 40,000 pounds of mail may be easily carried, and of which class a large number are being used on the different railroads of the country.

I have been able recently to obtain some information in these regards, and also as to the tonnage of mail carried. The Southern Railway, for example, on at least two of its important lines, has given me information as to the number and character of mail cars handled over portions of its line.

In May, 1917, I was furnished by the Post Office Department with a statement showing that for the year ending October 31, 1916, the average daily weight of mail carried over the Southern Railway from Washington, D. C., to Greensboro, N. C., was 118,661 pounds. I have the original paper containing this information, and will furnish it to the committee for inspection if desired.

I am able to state, upon information recently furnished by the Southern Railway, that the number of mail cars being hauled now daily over this portion of the Southern Railway's line consists of ten 60-foot storage cars, four 60-foot R. P. O. cars, and two 30-foot apartment cars.

Dividing the daily tonnage of 118,661 by these cars, it would give 10,000 pounds per car to each of the ten 60-foot storage cars, 100,000 pounds; 3,000 pounds per car each to the four 60-foot R. P. O. cars, 12,000 pounds; 3,300 pounds per car each to the two 30-foot apartment cars, 6,600 pounds; a total of 118,600 pounds.

This tonnage falls short of my estimate of 12,000 pounds per car for 60-foot cars approximately 4,000 pounds per car, equal to 33 per cent. However, adding the 33 per cent to the rate previously indicated by me, it would fix the actual cost for the first three zones at the following rates per 100 pounds:

First zone (50 miles)-----	\$0.16 $\frac{1}{4}$
Second zone (150 miles)-----	.39 $\frac{1}{4}$
Third zone (300 miles)-----	.74 $\frac{1}{4}$

thus making the average cost of transportation for the first two zones \$0.27 $\frac{5}{8}$ and for the three zones \$0.65 $\frac{5}{8}$ for 100 pounds.

But this can hardly be considered a fair or correct estimate, since the daily tonnage upon which these figures are based was carried during the year ending October 31, 1916, when the tonnage was about 25 per cent less than it is to-day, and the amount paid by the Government to the railroads on the weight basis was much greater than it is to-day under the space rate, and also because the cars now employed are greater in number than those in use in 1916, because the tonnage of to-day is much greater than it was at that time, although the money paid by the department under the space plan is now considerably below what was paid in 1916 under the weight basis.

But we need not indulge in estimates or guesswork to establish our contention that 60-foot cars will and do carry 12,000 pounds and over.

The Southern Railway operates a line from Bristol to Chattanooga, Tenn. The Post Office Department has furnished me with a statement showing that on this portion of its line the average daily mail carried for the year ending October 31, 1916, was 38,673 pounds. The number of cars used to carry this mail was two 60-foot R. P. O. and two 30-foot apartment cars, showing that the two R. P. O. cars must have carried an average of 12,000 pounds each and the two 30-foot cars an average of 7,336 pounds each in order to move the total of 38,673 pounds daily over that road. This, it seems, should dispose of the contention that the estimate of 12,000 pounds for 60-foot cars was excessive and that the estimate of 6,000 pounds for 30-foot cars was likewise in excess of their capacity.

If the department can transport 12,000 pounds in 60-foot cars between Bristol and Chattanooga, it can do so on other routes. And if there is not enough business on other routes to justify using 60-foot cars, 30-foot cars should be used.

It is true there is a good deal of shelving in these 60-foot cars. But it is those shelved cars they are running between Bristol and Chattanooga, and they are carrying a daily average of 12,000 pounds per car the year around; and if they are doing it on the Bristol-Chattanooga line why not on other lines, or else use 30-foot cars, 15-foot cars, or 7-foot space, or pouch service? This can be done under the contract at practically the same rate per pound. I think I comprehend the reasons. I do not say it is true, but the railroad people know what is to their interest.

Senator VARDAMAN. Yes.

Maj. STAHLMAN. They are looking after that. Formerly, when they were paid by weight, it was to their interest to pull just as few cars as would satisfy the demand of the Government, and they were then largely using 30 and 40 foot cars. But now, inasmuch as the Government pays by space, and as they get only half as much for hauling a 30-foot car as they get for a 60-foot car, they would be glad to sidetrack the 30-foot cars, because it costs but little more to haul a 60-foot car than it does a 30-foot car, and they are therefore inducing the Government to use 60-foot cars on many lines where 30-foot cars would answer the purpose. I presume the department, in its vigilance, is beginning to inquire into these things and will apply a remedy. I called the attention to the department to the matter in January last, and I believe that a remedy will be found.

The necessity for the placing of the newspapers in a separate class from the magazines is illustrated by a few examples which for the present will suffice.

Take the postal rate on advertising as applied to both newspapers and magazines. There was never a less justifiable contention than that the newspapers and magazines with respect to advertising should be put on the same footing.

The advertisements carried by magazines are of a general character, such as fit any locality from which the advertiser hopes and gets returns in every State in the Union, California, New Mexico, and Arizona, as well as Maine, New Hampshire, and Massachusetts.

These magazines get for these advertisements from \$1,000 to \$5,000 per page.

The advertisements carried by the newspapers are mainly of a local character, containing offers of prices from department stores, grocery stores, shoe stores, clothing stores, from day to day. A glance at the daily newspapers published in any city of the country will show that at least 80 per cent of the advertising carried by them consists of articles upon which prices for each day are fixed. As a result, the newspaper advertiser gets no benefit from his advertisement in daily papers except from the city in which the advertiser is engaged in business and where the paper is published, including such people within a short distance of the city, say, within a radius of 50 miles or so, who come to the city on accommodation trains to do their shopping in the morning and return home the same afternoon.

The advertisements of the daily papers given them by the local merchants, and which constitute 80 per cent of the newspaper's advertising patronage, is of but little interest to the reader and of no practical value to the merchant who advertises, except within the city and a radius not exceeding 50 to 75 miles of the city. It would be absolutely worthless beyond a zone of 100 miles, and yet the newspapers under the act as passed are obliged to pay as much for the transportation of advertisements as the magazines are required to pay; and this, too, in the face of the fact that while the magazines get from \$1,000 to \$5,000 per page for their advertisements the newspapers would be glad to give the same amount of space to advertisers at from \$25 to \$100.

The act, in so far as it applies to daily newspapers, especially those which publish from two to six and eight daily editions, with varying amounts of advertising in each, is not only impracticable, but will prove enormously expensive to all the newspapers and the Post Office Department, as well, to keep and make daily records and reports. The work involved in making these daily records and reports will be apparent when it is stated that the newspapers will, on an average of five daily editions, not only be obliged to make reports of the amount of advertising in each issue and the weight of each edition, but also to make reports of the number (which vary from day to day) of copies of each that are mailed to each of the eight different zones provided by the act. The expense of this work to the publishers of the daily newspapers, as well as to the Post Office Department, to make and check up these reports will be large, aggregating a million or more per annum. This, of course, is not true of magazines or trade papers that print not more than one issue weekly or monthly, each issue carrying its full amount of advertising.

Does not this clearly show the injustice and impracticability of putting the newspapers and magazines in the same class?

Senator SMITH of South Carolina. Let me ask you a question right there, Major.

Maj. STAHLMAN. Yes.

Senator SMITH of South Carolina. Is it not possible, or does it not occur in issuing these daily papers, that just before you go to press an advertisement may come in?

Maj. STAHLMAN. Oh, yes.

Senator SMITH of South Carolina. And before you send it out you must measure it?

Maj. STAHLMAN. Certainly.

Senator VARDAMAN. Major, is it not a fact that when the paper is made up you can tell, before the paper ever goes to press, the number of inches of the advertising matter in it?

Maj. STAHLMAN. Yes; in a way; but to undertake to measure up would delay the press.

Senator VARDAMAN. A man brings an advertisement and usually contracts for certain space?

Maj. STAHLMAN. Yes.

Senator VARDAMAN. You do not have to wait for the paper to be printed in order to measure that. You can tell by the advertisements when they are hung on the hook?

Maj. STAHLMAN. Yes; but you know, Senator, some of them are not hung on the hook for the first edition, and many are not set up for the first edition, and, therefore, we can only correctly measure them for each edition after the paper is printed.

Senator VARDAMAN. My experience in the newspaper business is confined to a little country paper. I do not know anything else.

Maj. STAHLMAN. Let me tell you, we can not with any degree of accuracy figure what each edition of the paper contains until after it has been printed. To undertake to do this before the forms go to the pressroom would cause too much delay, especially to afternoon papers that go to press on the minute to catch the trains.

Senator VARDAMAN. I agree with you that it would be an annoying process. I agree with you about that; but you could, it seems to me, by your system, easily have the number of inches of every paper covered by advertisement worked out by your bookkeeper before the paper goes to press.

Maj. STAHLMAN. We can not do that with accuracy because the bookkeeper does not know in what edition each of the advertisements appear until after the paper has been printed.

Mr. GLASS. Let me give you an illustration, if you will allow me to interrupt you, Major?

Maj. STAHLMAN. Yes.

Mr. GLASS. My small paper issues four editions, generally, and every day the managing editor has to determine at a certain hour how many inches of advertising he has, in order to determine the size of the paper. Nine times out of ten the figures handed to him as to the volume of advertising, he finds, after the edition is actually printed, will be one or two columns out of the way. The mechanics in the composing room will give you these figures of the amount of advertising, that are not accurate.

Maj. STAHLMAN. That is not all. I am publishing an afternoon paper. A merchant sends in an advertisement in the morning and we set it up. After our first noon edition and sometimes even before, the weather predictions are unfavorable and he sends us a message not to use his ad. We have paid the expense of setting it up, and we know very well that he is not going to use it the next day in the same form. There we are. There is but one safe plan, if we want to avoid trouble, and that is to measure the advertisement after the paper has been printed.

Senator HARDWICK. You need not necessarily be required to measure it before it is printed. You have files of every edition of your paper, and you can measure it in the files.

Mr. GLASS. But there is a regulation that the amount of each kind of matter shall be printed on the first page.

Senator HARDWICK. It may be that the department regulation is not precisely what is wanted, but there is no reason why the law itself is not practicable.

Maj. STAHLMAN. Let me tell you why we object to the advertising feature of the act, and I think it is a valid objection. Here is an advertisement [indicating] of about 40 inches for which the magazine will get from \$500 to \$1,000 and sometimes even more. If the advertiser comes to me with it, he wants the same amount of space furnished by the magazine but will only pay me \$40 or \$50 for it, and in that way the Government is making me pay as much to carry \$50 worth of advertising as the magazines pay to carry \$1,000 worth. That is not only unfair but a positive discrimination against me.

There is still another reason—the magazines carry general advertising, the newspapers mainly local.

An advertisement in a magazine is just as good in California as it is in New York; it is just as good in Maine as it is in Texas, and they have an enormous circulation, and get big prices for it, and the advertisers are willing to pay the rate that the magazines require them to pay. You could not get one of those advertisers to use a local paper for their business. If they did, they would probably want to use my newspaper with a circulation of 50,000 and pay me \$40 for an advertisement that they pay \$1,000 for to the magazines. Now, I say this alone establishes an essential difference showing that we do not belong in the same class. One of the reasons above others why we do not want to remain in the same class, is that we want to get out of an alliance which holds us responsible for any part of the deficit of the department. We want to put the department in a position where it can take an account of our business in such a manner as to determine fairly and squarely what it costs the department to carry our newspapers.

Senator VARDAMAN. I understand that you want your paper to pay the expense of delivering to the reader?

Maj. STAHLMAN. Absolutely.

Senator HARDWICK. You take all the newspapers together?

Maj. STAHLMAN. Yes.

Senator HARDWICK. That is fair. I am for you on that.

Maj. STAHLMAN. And that is the reason we are asking.

Senator MCKELLAR. For this separation?

Maj. STAHLMAN. Yes. We want the law amended so as to separate us from the magazines and in the amendment requires us to pay what it costs the Government within the 300-mile zone, and a corresponding increase for distances beyond the 300-mile zone. It is going to add something to the cost of our postage. It will put me and it will put practically all of the newspapers of the country to considerable expense but, although I know this, I consider it my duty to pay the increase and to that extent help meet the deficit of the department; in other words, I want to pay my way, and that is the attitude of practically every daily newspaper in the United States.

Another illustration is found in the comparison of postage paid by the newspapers and magazines on shipments carried, respectively, on the same train between the same points.

Take for illustration a train leaving Chicago, Ill., for Atlanta, Ga., via Nashville—that being the most direct line.

Assuming that the publishers of magazines and periodicals in Chicago have shipments to make to Atlanta, Ga., and that the weight of the shipments aggregate 500 pounds on this one train. On this shipment of magazines, under the law enacted beginning July 1, 1918, the publishers will pay a flat rate of $1\frac{1}{4}$ cents per pound, equal to a total of \$6.25 for 500 pounds and $\$0.62\frac{1}{2}$ per 100 for 50 per cent of advertising, making a total of $\$9.37\frac{1}{2}$ for the carrying of these publications from Chicago to Atlanta.

There are five points between Chicago and Atlanta where daily newspapers are being published. They, too, send papers on the same train, say, an average of 500 pounds. The publishers of Chicago newspapers mail, say, 1,000 pounds on that train, a large portion of which will be distributed before the train reaches Terre Haute, Ind. The Chicago papers pay for that service, including advertising, $\$15.62\frac{1}{2}$. When the train reaches Terre Haute, the newspapers at that point mail 100 pounds to go southward toward Evansville, Ind., for which they pay the department $\$1.87\frac{1}{2}$. At Evansville the papers send 100 pounds to go south toward Nashville, Tenn., for which they pay $\$1.87\frac{1}{2}$.

At Nashville the publishers mail 1,000 pounds to go southward toward Chattanooga, for which they paid $\$15.62\frac{1}{2}$.

At Chattanooga the publishers mail 300 pounds to go southward toward Atlanta, for which they pay the department $\$4.62\frac{1}{2}$.

We thus find newspaper publishers paying $\$39.62\frac{1}{2}$ for an average weight of 500 pounds on newspapers carried between Chicago and Atlanta and for comparatively short distances, while the publishers of magazines, periodicals, etc., secure the transportation of 500 pounds of their publications for the entire distance, for which they pay the department only $\$9.37\frac{1}{2}$.

This illustration of inequality and discrimination against the newspapers applies to and will work with like results in all sections of the country and is made possible only by the unfair basis of postal rates on second-class matter, through the combined flat-rate and advertisement-rate plan under the act passed in October last.

The foregoing illustration shows that if the postal rate on newspapers were fixed at only about one-fourth of the rate applied to magazines under the act the revenue to the department from the transportation of newspapers would be as large as the magazines would be required to pay, thus further demonstrating the injustice of having the newspapers and magazines put in the same class and at the same rate of postage.

We submit that in putting the newspapers in the class by themselves the cost of transportation should furnish the basis of determining the rate of postage, and that a reasonable sum above the cost should be added to meet a proper proportion of the department's overhead charges.

The extent of the service rendered by the department to the newspapers is very meager as compared with the service performed in

handling other mail matter. Newspaper publishers do not ask the postmaster to call at their places of publication for the papers. The publishers perform that duty. They bind the papers in appropriate bundles and haul them, not only to the post office but in many cases to the railway station where, after being weighed, the bags and bundles are taken to the postal car already on the train and put in the car. The service performed by the employees of the post office is to weigh the papers, which, as a rule, can be done in a few minutes for each train by one man, the only other service being that performed by the mail agent in charge of the car, whose duty it is to take care of the bundles and bags of mail until they reach their destination and then throw them off on the platform for an agent of the newspaper to receive them and make delivery to the subscribers. This system adds little or nothing to the expense of the department, since the man who weighs the bundles at the station also looks after the delivery of other mail from the post office to go out on the same train, and the mail agent who handles the papers on the train and throws them off at destination would receive the same rate of wages that he now receives whether he handled these papers or not, nor would there be any diminution of the amount paid to the railroads for hauling newspapers if they handled none, since the railroads are paid so much per mile for hauling the cars, whether loaded to their capacity or empty. Therefore the larger number of papers the department can induce the publishers to send by mail the greater the net revenue to the department. If half of the capacity of each car were filled with newspapers, it would serve to add that much to the net receipts of the department, whereas if no newspapers were hauled it would not diminish the expense of the department to the extent of a farthing, but only serve to decrease its receipts.

The suggestion so persistently pressed that the Post Office Department incurs large expense in the handling or delivery of daily newspapers by Government clerks and carriers is wholly fallacious.

I am prepared to assert with a marked degree of positiveness that of the newspapers sent by mail to subscribers, exchanges, or advertising agencies in cities or towns where they are handled by clerks and delivered by Government carriers will not exceed 2 per cent of the entire circulation of such daily newspapers sent by mail, neither do the weekly papers involve the expense claimed to be incurred on their account, since the bulk of weekly publications go to rural districts and small towns where carrier's service does not exist.

The same is also true of newspapers delivered on rural routes. These papers are also carried, either to the station or to the post office, by the publishers. The papers are put in bundles. All the bundles are marked to show for what route each is destined.

Take, for illustration, Columbia, Tenn., about 40 miles from Nashville, from which a number of rural routes diverge. The bundles for each route are made up by the publisher and marked. They are then put into bags, tagged Columbia rural route Nos. 1, 2, 3, 4, etc. When these bags reach Columbia the only handling by the postmaster is to have them carried from the station to the post office. The rural route carriers know from the tags which bag contains their bundle. They take their respective bundles out of the bags and deliver the papers to each rural route subscriber as they do all other matter.

The rural carriers are paid a monthly wage; whether they each carry 10 newspapers or 100 makes no difference to the department. The expense remains the same. The only question is, Shall the publishers of newspapers be permitted to continue to solicit subscriptions on rural routes or shall they be forced to further advance their subscription price and thus further curtail their number of subscribers?

Suppose a newspaper in Tennessee which is now paying the Government \$40,000 per annum for the carriage of such newspapers as it desires to have transported by mail should by reason of increased postage and the cost of white paper, be obliged to advance the subscription price so as to cut off half of its circulation by mail. Would that help the Government? Would it in any sense enable the Government to decrease its expenses? Would it not, on the other hand, simply cause the Government a loss of net revenue to the extent of \$20,000 per annum from this one newspaper?

Under these circumstances the overhead expense chargeable to the newspapers should be very limited, merely nominal, so to speak, and yet they have hitherto signified a willingness to have the 1 cent per pound continue within the first three zones of the 300 miles and a reasonable advance based upon additional cost for the zones beyond.

What really should be done in all fairness to the Government and the newspapers is to fix the rate for each of the zones on the basis of cost paid to the railroads by the Government with a reasonable overhead charge added.

Regardless of what the rate may have been in the past, and with a view of meeting the situation, the suggestion is made that in all fairness the following rate for newspapers might be equitably established by act of Congress:

Zone.	Distance.	Rate.		Surplus for overhead charges.
		<i>Miles.</i>	<i>Per 100 pounds.</i>	<i>Per 100 pounds.</i>
First.....	50	\$0.50		\$0.37
Second.....	150	.75		.45
Third.....	300	1.00		.44
Fourth.....	600	1.75		.63
Fifth.....	1,000	2.50		.74
Sixth.....	1,400	3.25		.85
Seventh.....	1,800	4.00		.96
Eighth.....	1,800	4.75		1.07

¹ And beyond.

These rates are suggested because they have behind them not a visionary but a sound and equitable basis upon which they were reached. They are fair to the Government and fairly just to the publishers of newspapers.

The advertising scheme discussed in connection with rates on second-class matter is quite impracticable as applied to newspapers. It is unworkable and eminently unjust to the newspapers.

Magazines may and do raise their advertising rates to meet extraordinary conditions; newspapers, under existing conditions, with a threatened decrease in circulation by reason of an advance in subscription price on account of the enormous increase in the cost of print paper, have nothing to offer their advertisers to justify an increase in advertising rates. Moreover local advertisers, who furnish

the daily newspapers of the country 80 per cent of their advertisements, attach but little if any value to the circulation beyond a zone of 150 miles and would not think of paying an increased price on advertising to help the papers hold or increase their circulation beyond that distance.

Thus, again, clearly indicating that the newspapers and magazines do not belong in the same class.

The newspaper publishers of this country, barring one or two who may have interests in magazines, want the newspapers put in a class of their own, separate and apart from magazines.

These publishers know that a rate of 1 cent per pound within the first, second, and third zones of 300 miles will more than meet the expense incurred by the Government in transportation of newspapers, and yet they are entirely willing to accept this rate if Congress, in its wisdom, shall declare this necessary.

The newspapers are willing in addition to submit to any reasonable increase of this rate on the zone beyond 300 miles. They are unalterably opposed to the injection of the matter of advertising in the rate of postage. They know that such a plan is neither feasible nor desirable from any point of view.

The newspapers favor the zone system on an equitable adjustment of rates under that system. They, therefore, respectfully urge that their appeal in respect to these matters be given favorable consideration by Congress.

The publishers of daily newspapers of this country, owing to the enormous increase in the cost of white paper, ink, metal, and other materials used in the publication of newspapers, including increased wages to their employees, are in sore distress. It is safe to say that not exceeding 10 per cent of these publishers in the interior of the country are making both ends meet. Many are losing large sums annually. They are needing help. They are not asking financial aid from the Government, but only such legislation as shall accord to them fair treatment.

They do not want either bounty or subsidy, but are making an appeal to the Congress for the enactment of such a law in the matter of postage rate as shall be equitable alike to the Government and the newspapers. This is what the large body of newspapers are needing and what they feel they are entitled to receive.

The existing war has brought on the publishers of the daily newspapers of the country burdens the like of which few other enterprises are called upon to bear, and burdens so heavy that they have in many cases become practically unbearable. They have, notwithstanding, borne these burdens as best they could and added to them by largely increasing the size of their papers at an enormous increase of expense, and devoted that additional space and more without the hope of fee or reward to aid the Government in the prosecution of the war, and they insist that they in this respect have been so faithfully and loyally seeking to serve their country that Congress should not turn a deaf ear to their appeal, but manifest a determination to adjust the matter of postal rates on a basis that shall be fair and equitable, and the adoption of the amendment suggested by us will be a proper step in that direction.

We repeat we are not asking either favors or exemptions; we want neither subsidy nor bounties in any form. We want to pay our

way and meet any and every obligation that may rest upon us as publishers of newspapers and American citizens. All we ask is that in essential matters we shall be accorded fair treatment. That is what our appeal of the present means and what we trust Congress will grant.

Senator VARDAMAN. May I ask you, at this point—it is not relevant to this investigation, possibly, or probably—has the newspaper business been fairly remunerative since the war began, as other industries?

Maj. STAHLMAN. It has not to me.

Senator VARDAMAN. Has the newspaper business of the country been fairly profitable since the war began?

Maj. STAHLMAN. That depends on environment. At points where cantonments and large industries have been established the newspapers have derived some benefit from it, but it has not been so in other parts of the country. I know my business has not increased in keeping with the enormous increases in the cost of production.

Now I want to say something about the question of circulation. I am not giving my paper to anybody. I am not putting out any schemes to get circulation, or giving the paper away for the purpose of getting circulation to fool the advertiser, even temporarily. I am charging to the people who take my paper what it costs me for the white paper and the postage. That is what I am aiming to do, and that is a legitimate business. I am giving the reader free all that it costs me for cable service, the expense of telegrams, the salaries of editors, pressmen, and compositors. I am willing to give that to the reader. I am paying for that out of my receipts from advertising.

I applied that rule when the price of white paper advanced. I lost circulation. I lost nearly 20 per cent inside of 30 days. But my readers who want a reliable, clean paper are coming back.

Senator VARDAMAN. Certainly; they could not stay away very long.

Maj. STAHLMAN. They are certainly coming back, and this fact is especially gratifying to me.

Now, Mr. Chairman and Senators, I want to say to you that Senator McKellar never claimed the fatherhood of what has been called the McKellar amendment. It went to the Senate as an amendment from him, and it was a good one, but that amendment originated in the House. It was prepared by Judge Moon, the chairman of the House committee, and it seemed so fair to Senator McKellar that he asked me if I thought it would be fair to the Government as well as to the newspapers. I said yes, and he then introduced it. I have a little printed copy here of a bill that we have suggested as an amendment to the law taking effect July 1 next. It is just a mere suggestion. You can change it as you see fit. It is on the lines of the McKellar amendment and, in my judgment, a good proposition. And I want to say more than that. The Postmaster General, in November, 1916—just before Congress began to work on the postal-rate question in January, 1917, in his report to Congress said that the postal rate on second-class matter ought to be raised, but added, "I do not think it is necessary to raise it on the newspapers." That is what he said. He says, "I think well, too, of the proposition to

tax publishers with a rate based on the advertising, but I do not apply that to the newspapers." Here it is, and I will read it to you. I know you have been patient, and I am getting a bit tired.

Senator VARDAMAN. Your testimony is very instructive, Major.

Maj. STAHLMAN. Here is what the Postmaster General said referring to a previous letter:

In this letter it was recommended as the initial step in the direction of a readjustment of the postage rates on second-class matter on the basis of the cost of handling and transporting it that the rate on publications issued less frequently than weekly and on weekly publications other than newspapers be increased from 1 cent a pound to 2 cents a pound, leaving for future determination an additional increase if same should be found necessary or desirable.

As an alternative to this plan it is recommended that a flat rate of 1½ cents a pound on all second-class mail matter subject to the 1 cent a pound rate be considered if such plan be regarded as more just and equitable. If neither one of these changes be adopted and it is thought that there should be a distinction between advertising and other matter carried in any of such publications, it is then recommended that the rate of postage on publications entered as second-class matter issued less frequently than weekly, and on weekly publications other than newspapers, shall be—

Senator HARDWICK. That means other than weekly newspapers?

Maj. STAHLMAN. No, sir.

Senator HARDWICK. Read it again.

Maj. STAHLMAN (reading):

If neither one of these changes be adopted, and it is thought that there should be a distinction between advertising and other matter carried in any of such publications, it is then recommended that the rate of postage on publications entered as second-class matter issued less frequently than weekly—

Senator HARDWICK. Yes.

Maj. STAHLMAN (continuing reading):

And on weekly publications other than newspapers shall be 1 cent a pound or fraction thereof—

You see. And then he goes on and says further—

Senator HARDWICK. It could mean the other thing, though.

Maj. STAHLMAN. This is on page 32 of the report of the Postmaster General.

Senator McKELLAR. What report is that?

Maj. STAHLMAN. It is dated November 15, 1916 (continuing reading):

It is then recommended that the rate of postage on publications entered as second-class matter issued less frequently than weekly, and on weekly publications other than newspapers, shall be 1 cent a pound or fraction thereof, except for such part of the publication as is composed of sheets devoted in whole or in part to advertising matter, the rates of postage upon which shall be the same as the rates which are applicable to third and fourth class matter, respectively, for the matter as it would be classified under those classes. This would not change the rate on newspapers.

There you are. It "would not change the rate on newspapers."

Now, I want to say—you have heard a great deal about the enormous cost of carrying second-class matter, and the attempt to in part at least hold the newspapers responsible for it—I have little doubt but what second-class matter has been carried at less than cost. I know, in fact, that it has.

The Hughes Commission—and a very able commission—reported that it cost \$6.91 to carry newspapers and \$8 to carry magazines.

Have any of you ever investigated how the commission arrived at that proposition? It was done by assuming that newspapers were being carried the same distance as the magazines. The figures show it, yet on another page it shows that the newspapers are carried an average distance of 255 miles, and magazines a distance of 1,027 miles. Instead of saying that it cost 6 cents to carry newspapers 255 miles as against 8 cents for magazines carried 1,027 miles they ought to have said that it cost only about 1½ cents to carry newspapers any distance—that is, the average distance—as against 8 cents for magazines. The Hughes report was made in 1911 when the cost of transportation was greater than it is now. The Post Office Department has, of course, known all the while where the deficit came from, but not until 1916 was this stated so clearly in a report to Congress. That was about the first suggestion ever made by the head of the department that the newspapers were not responsible for the trouble, an important fact which seems to have been overlooked for many, very many years.

Mr. Chairman, we do not belong in the class with the magazines; we are engaged in another line of business, and we are engaged in a business that is as helpful to the country at large as any other business being conducted in this country. I want to ask in that connection, do the magazines go into Mississippi or any other State and help build up your towns and sections? When you wish to build up anything in your States you go to the local newspapers and if they are worth a continental they will lend vigorous aid and do what they can in the interest of the public. Every community has its local newspaper.

Senator VARDAMAN. And it will color it often a little, if it will help out.

Maj. STAHLMAN. Yes; they will color it a little, because we all like to boast of our own.

Now I want to say this, that the newspapers have as one man been standing up for this country in the present crisis, standing up as the newspapers of no other country on the face of the earth are doing for their country. There is practically no division here, all with one voice declaring that this country must win the war. Some of us were not for it at the beginning. We never were for it until the Congress declared that war existed, but just as the declaration was made, we took our pens in hand and began to write, and to write with great force and vigor, doing everything on God's earth we could to win this war for this country. Now that work, as already indicated, has put an enormous tax on the newspapers of this country in addition to the large increase in the cost of white paper; we have been compelled to increase the size of our papers from two to four pages, which space is being consumed by the newspapers of this country to-day in detailing what is going on abroad and the publication of matter designed to stir up our people at home; and that is what we want to continue to do, to enable this great country of ours to win the war. That is the situation.

You ask, "What have the newspapers done?" I will tell you what we have done.

On the 1st day of last December I had sent out circular letters to 1,500 of the daily newspapers of the country, to ascertain what they

had done to support the aim of the Government in this war—not editorial work. There is no newspaper that would charge anything for an editorial. The editorial page is supposed to represent the honest convictions of the man who owns the newspaper—not editorial work; no, indeed; but promotion work; everything designed to promote the war—liberty loans and Red Cross, and thrift stamps and all sorts of plans that the departments in their various ramifications have seen fit to work up and to promote. These circular letters went to 1,500 newspapers. What did we find? They did not all respond. Some were rather modest. Out of the 1,500 papers, we received responses from 270, and they were the smaller papers in the interior of the country. We did not get responses from New York, Boston, Chicago, St. Louis, or cities of that size; not that they were not doing their part, but they did not care to go to the trouble of giving us the information.

Out of those 1,500 newspapers, these 270 replies coming mainly from the newspapers in the interior of the country, reported they had contributed to the support of this Government, of their own free will, without one thought or hope of reward, advertising space to the value of \$4,711,000. What more, when about six months ago I was here in Washington, and gentlemen who came from Boston and New York were seeking to secure the aid of newspapers in their endeavor to have the Treasury Department set aside several million dollars to pay for advertising liberty loans, the newspapers said no. They came to me about it, and I said "No!" I almost said "Damn you!"

Senator VARDAMAN. You thought it.

Maj. STAHLMAN. Yes; I thought it. I said the Government can not pay for anything like that. I want to do all I can to help the country in this emergency, and do not want pay for it from the Government.

Now, gentlemen, I am coming to the point. I have about finished. If all the newspapers of the country had answered as those from the interior did it would be shown that the daily papers of the United States, between the date of the declaration of war and January 1 last, contributed from \$30,000,000 to \$50,000,000 in advertising space free of cost to the Government. And this, too, in the face of the fact that Canada paid \$15,000,000 to her newspapers, to advocate what Canada wanted done in this war, and that Great Britain is said to have paid \$60,000,000 to her newspapers for advertising what Great Britain wanted her people to do. The newspapers have never asked for a dollar. They do not want a dollar from our Government in this time of trial.

It has been mentioned by a friend present what Canada has done for its newspapers in addition to the large sums paid for advertising. That country has reduced its postal rate from 50 cents to 25 cents on newspapers for all distances.

We have in addition to that, as you know, in this country, several express companies. These companies have not as yet advanced their rates. The express companies will carry our papers now at 50 cents per 100 pounds for any distance, over their lines, but I understand they are about to make a combination, and moved by what the Government has done will seek to jack up our rates in this country.

If there is one thing more than another that Congress should want it is to prevent the consummation of the express companies' plans and which can be prevented by giving the newspapers a fair rate of mail.

I think I have just about finished what I had to say. I do not know what other newspaper men will tell you, but I know I am suffering. I would not stand here, I would not have been here last summer, I would not appear before this committee to-day and speak as I am speaking if it were not that I am confronted with grave danger and the ruin of a newspaper that I have labored for 25 years to build up, and also in the belief that a large majority of the newspapers of this country are confronted with like danger. In the light of what we are all doing for this great Government of ours, and for which we want no reward, Congress ought surely be willing to fix a rate that will cause us not to pay more than it costs the Government to carry our newspapers.

Senator HARDWICK. I am in accord with a great deal you have said. You say you want to pay what it costs to conduct this circulation. I doubt whether we can exact that much from you. But suppose we find, when Congress gets to examining into the facts, and taking what the department says as well as the newspaper gentlemen, that the rates fixed in the McKellar amendment will not do that; you are willing for them to do that, are you?

Maj. STAHLMAN. I say, when it comes to the facts——

Senator HARDWICK. You are not going to say that you want it to be 16 hands high, whatever it is?

Maj. STAHLMAN. I think I understand the facts connected with this trouble about as well as——

Senator HARDWICK. In other words, if we can find the facts to be different from just what you have stated, you would not want us to stick to that anyway?

Maj. STAHLMAN. Just one moment, please.

Senator HARDWICK. Yes; I want to see just exactly what your idea is.

Maj. STAHLMAN. I verily believe there has been a large deficit in the Post Office Department, but I think the second class has probably been made a dumping ground for expenses that largely belong elsewhere. Now, I do not say that that is true.

Senator HARDWICK. We ought to look into that; but I say, in fact, suppose we find that the costs are somewhat higher than you say, and it will take a little higher rate than you think ought to be paid, then you will still stand by your doctrine?

Maj. STAHLMAN. I will say this: If you will produce figures showing that my figures are too low and that it is necessary to raise these rates above what I have named, I shall not object to the raising of them.

Senator HARDWICK. But Congress are the people who have to do the agreeing.

Maj. STAHLMAN. That is true; but I think the newspapers are capable of enlightening Congress on this subject, and their experience and records should have weight with Congress in the determination of a question so important to them and to the public.

Senator HARDWICK. But Congress will have to do it, and not the people who have an interest in it.

Maj. STAHLMAN. Allow me to make this suggestion.

Senator HARDWICK. Yes.

Maj. STAHLMAN. When I said to this committee we are willing to pay the cost of transporting our papers, with a reasonable overhead charge, I meant it, and I am willing to stand by that.

Senator VARDAMAN. That is what you mean?

Maj. STAHLMAN. Yes.

Senator VARDAMAN. You do not want any subsidy from the Government?

Maj. STAHLMAN. No; we do not.

Senator HARDWICK. Then, you want us to do just that?

Maj. STAHLMAN. Yes.

Senator MCKELLAR. I want to ask if you will not put into the record this pamphlet or article you have referred to here, entitled "Proposed Newspaper Postage Rate Amendment," signed by you and Mr. Wortham and Mr. Woodson and Mr. Sanford and Mr. Thomson?

Maj. STAHLMAN. I have no objection if the committee desires it.

Senator MCKELLAR. I would like, Mr. Chairman, to have that printed in the record.

The CHAIRMAN. Very well.

(The article referred to is here printed in full in the record, as follows:)

PROPOSED NEWSPAPER POSTAGE RATE AMENDMENT.

SEC. —. Be it further enacted that the provisions of section eleven hundred and one (1101) of an act to provide revenue to defray war expenses, and for other purposes, approved Oct. 3, 1917, shall not apply to newspapers entered or which may be entered as second-class mail matter.

SEC. —. Be it further enacted that on and after July 1st, 1918, the rates of postage on newspapers entered as second-class matter (including samples to the extent of ten per centum of the weight of copies mailed to subscribers during the calendar year) when sent by the publisher thereof from the post office of publication, or other post office, or when sent by a news agent to actual subscribers thereto, or to other news agents for the purposes of sale, shall be for the zones now applying to parcel-post matter to be adapted also to newspapers entered as second-class matter, as follows:

For the local, first, second, and third zones (under 300 miles), one cent per pound.

For the fourth zone (300 to 600 miles), one and three-quarters cents per pound.

For the fifth zone (600 to 1,000 miles), two and one-half cents per pound.

For the sixth zone (1,000 to 1,400 miles), three and one-quarter cents per pound.

For the seventh zone (1,400 to 1,800 miles), four cents per pound.

For the eighth zone (over 1,800 miles), five cents per pound.

SEC. —. That nothing in this act shall affect the provisions of sections 1102, 1103, 1104, 1105, and 1106 of an act to provide revenue to defray war expenses, and for other purposes, approved Oct. 3, 1917, or affect the free-in-county circulation as at present provided by law.

SEC. —. The term newspapers within the meaning of this act shall include only the daily and other publications not devoted to any special or specific purpose, issued as frequently as once a week, for the general circulation of local and current news and in the same form and manner as daily newspapers.

House Committee on the Post Office and Post Roads:

John A. Moon, Tennessee, chairman; Thomas M. Bell, Georgia; Arthur B. Rouse, Kentucky; Fred. L. Blackmon, Alabama; Edward E. Holland, Virginia; Peter F. Tague, Massachusetts; Eugene Black, Texas; William A. Ayres, Kansas; Charles H. Randall, California; Bruce F. Sterling, Pennsylvania; Halvor Steenerson, Minnesota; Martin B. Madden, Illinois; William W. Griest, Pennsylvania; Ira C. Copley, Illinois; Charles M. Hamilton, New York; Calvin Dewitt Paige, Massachusetts; Harry C. Woodyard, West Virginia; C. William

Ramseyer, Iowa; Robert D. Heaton, Pennsylvania; Samuel W. Beakes, Michigan; Daniel C. Oliver, New York.

WHY NEWSPAPERS AND MAGAZINES SHOULD BE IN SEPARATE CLASS.

While the war-tax bill was pending in the Senate the most plausible and effective argument against the adoption of the McKellar amendment was that matters relating to rates of postage had no business in a war-tax bill and that such a complicated matter ought to be handled by the regular standing Committees on Post Office and Post Roads of the Senate and House. Upon this theory the entire matter was finally stricken from the bill and the bill sent to conference in that form.

When the bill was taken up by the conferees it was found that under the custom of having the conferees from each body composed of members according to their seniority on the respective standing committees, there was not a member on it from either the Senate or the House who had voted for the McKellar amendment, the Senate conferees having all voted against the amendment, while the House conferees had all supported the Kitchin bill as passed by the House. The McKellar amendment, therefore, had not a single friend at court, but it is only fair to assume that if the Senate had adhered to the McKellar amendment the Senate conferees would have endeavored to have it embodied in the bill.

The House conferees naturally, under the leadership of Representative Kitchin, fought hard for the provisions of the House bill, but, failing to carry it through in that shape, by some strange freak or mixup, which no one has been able to fathom, the committee revamped the House section of the bill and embodied in it both the flat rates and zone system, fixing a flat rate per pound and adding an advanced rate on that portion of each publication which consisted of advertising in excess of 5 per cent of each issue of publication.

With doubtless the best intentions, an abortion was thus produced, which, in so far as it applied to daily newspapers, especially those which publish from two to four daily editions with varying amounts of advertising in each, is not only impracticable, but will prove enormously expensive to all the newspapers and the Post Office Department as well, to keep and make daily records and reports, which, of course, is not true of magazines or trade papers that print not more than one issue weekly or monthly, each issue carrying its full amount of advertising.

The postage fixed by the bill agreed to in conference provides that, taking effect July 1, 1918, there will be a flat rate for all distances of $1\frac{1}{2}$ cents per pound, and from July 1, 1919, at $1\frac{1}{2}$ cents per pound, and that in addition there shall be a higher rate charged on the weight of all space occupied by advertising in excess of 5 per cent of the total weight of each publication.

Based upon the assumption that reading and advertising matter will be about equally divided, the cost of postage to the newspapers per 100 pounds on the first to the fourth zones will be as follows:

	First and second zones, 150 miles.	Third zone, 300 miles.	Fourth zone, 600 miles.
Effective July 1, 1918.....	125	137½	162½
Effective July 1, 1919.....	150	175	225
Effective July 1, 1920.....	162½	200	275
Effective July 1, 1921, and thereafter.....	175	225	325

Corresponding advances in rates were made on the farther distant zones.

Senator Simmons in reporting this bill on behalf of the Senate conferees to the Senate made the following explicit and significant reference to the postal section:

"The committee found it exceedingly difficult to devise any scheme for taxing publications that was satisfactory to individual members of the committee or to the committee as a whole, or that was satisfactory to the publishers of the country as a whole.

"When we had devised a scheme that seemed to us satisfactory, and which was satisfactory to one class of publishers, we found that it was radically unsatisfactory to another class. When we changed it and finally fell upon another

scheme that seemed satisfactory to the dissenting crowd we found that the new scheme was equally unsatisfactory to still another class of publishers. When we finally brought the bill into the Senate I felt constrained, in presenting the matter, to say what I believed then and what I believe now, that the Senate Committee proposition was a makeshift, which was not altogether satisfactory to anybody, either on the committee or off the committee. The Senate struck out what the committee had written into the bill and agreed to the amendment of the Senator from Tennessee (Mr. McKellar) as in committee of the whole; but when the bill got into the Senate the Senate changed its mind about that matter, and the amendment was stricken out. It suffered about the same fate as several schemes of the Finance Committee.

"I do not believe that we ought to tax these facilities for the purpose of defraying the expenses of the war. That has been my view all the time. Entertaining that opinion about it, I felt that the adjustment of postal rates was not a matter for the Finance Committee, but was a matter for the Post Office Committee. I was glad, therefore, when in conference we were able to write into the compromise a provision now under discussion—the provision that the tax now imposed should not take effect until July, 1918. I trust, Mr. President, that before that time arrives the Post Office Committee will work this matter out in a more satisfactory way than your committee or the conferees have been able to work it out."

The feeling expressed by Senator Simmons apparently represented the sentiment of a majority of the members of both Houses of Congress.

The provisions of the bill as passed, including the advertising feature, presented clearly an impracticable and unworkable method in so far as newspapers are concerned, and only serves to demonstrate that the newspapers and magazines do not belong to the same class, and the publishers of newspapers were therefore gratified to have expressions from Senators and Members of Congress in favor of putting the newspapers in a class to themselves and upon the basis of postal rates that should be equitable alike to the Government and the newspapers.

The injustice and discrimination against the newspapers under the act as passed seems patently evident.

There are surely but few who will not frankly admit that the large annual deficit in the Post Office Department on second-class matter has been due mainly, if not wholly, to the fact that the 1 cent per pound flat postal rate on second-class matter does not carry such matter beyond a zone of 300 miles, except at a loss, and for the more distant zones at an enormous loss to the department, and it is susceptible of proof that the magazines and periodicals carried for such long distances at the flat rate of 1 cent are mainly responsible for the department's enormous annual deficit.

It has also been equally well established that the only publishers who are paying their way under the flat rate of 1 cent per pound are the newspapers whose circulation is limited largely to a zone of 300 miles.

Notwithstanding this fact we find in the war-tax bill passed the provision which on July 1, 1918, based on 50 per cent of advertising matter, will add 37 per cent for the first, 75 per cent for the second, 100 per cent for the third, and 125 per cent for the fourth and every year thereafter, within a zone of 300 miles, which is more than double the cost paid by the department to the railroads for transportation, while for the more distant zones used by the magazines the rate fixed by the act, including the same proportion of advertising, is much below the cost paid by the department to the railroads for carrying magazines and periodicals the longer distances.

What justification can there be found in declaring at the present rate of 1 cent per pound, which leaves a surplus to the department, shall be increased within a zone of 300 miles far beyond the cost of transportation, while the rate on magazines and periodicals in the zones beyond shall not even bear the expense of transportation, is a matter which can not be satisfactorily explained.

There has been abundant evidence given to show that the average cost paid by the Government to railroads for transporting newspapers within the 300-mile zone is much less than 1 cent per pound. Indeed, it has been clearly demonstrated from figures furnished by the department that the average cost of carrying newspapers for the average distance within the 300-mile zone will not exceed one-half cent a pound.

What have the newspapers of the country done that they are to be discriminated against in this way? What have the people to gain by such discrimination against the local newspapers in the various sections of the country?

The newspapers represent a potent influence in the progress and development of their respective sections, and hence instead of being discriminated against they should at least be treated with fairness.

In what way do the magazines help the people in their work of local development, such as the newspapers are helping to promote in every congressional district in the United States?

Why should the newspapers have a burden of 125 per cent added to their postage rate when the present rate of 1 cent is entirely sufficient to meet the cost of railroad transportation and leave a large surplus, while the long-distance zone rate as enacted gives the magazines a rate which by a considerable sum fails to pay the cost of transportation? This kind of legislation indicates a very poor beginning for establishment of the zone system.

It is possible that the magazines, which have fattened and grown immensely rich at the expense of the Government, by having their publications carried for more than a quarter of a century at less than one-sixth of what it costs the Government, and thus taking millions annually out of the United States Treasury, shall still be accorded discriminations in their favor and continue to receive a subsidy which does not accrue to the newspapers, and to which the newspapers of the country, by an excessive advance of rate will be compelled to continue to contribute?

The necessity for the placing of the newspapers on a separate class from the magazines is illustrated by a few examples which for the present will suffice.

Take the postal rate on advertising as applied to both newspapers and magazines. There was never a less justifiable contention than that the newspapers and magazines with respect to advertising should be put on the same footing.

The advertisements carried by magazines are of a general character such as fit any locality from which the advertiser hopes and gets returns in every State in the Union—California, New Mexico, and Arizona, as well as Maine, New Hampshire, and Massachusetts.

These magazines get for these advertisements from \$1,000 to \$5,000 per page.

The advertisements carried by the newspapers are mainly of a local character, offers of prices from department stores, grocery stores, shoe stores, clothing stores, from day to day. A glance at the daily newspapers published in any city of the country will show that at least 80 per cent of the advertising carried by them consists of articles upon which prices for each day are fixed. As a result the newspaper advertiser gets no benefit from his advertisement in daily papers except from the city in which the advertiser is engaged in business and where the paper is published, including such people within a short distance of the city, say within a radius of 50 miles or so, who come to the city on accommodation trains to do their shopping in the morning and return home the same afternoon.

The advertisements of the daily papers given them by the local merchants, and which constitute 80 per cent of the newspaper's advertising patronage, is of but little interest to the reader and of no practical value to the merchant who advertises, except within the city and a radius not exceeding 50 to 75 miles of the city. It would be absolutely worthless beyond a zone of 100 miles, and yet the newspapers under the act as passed are obliged to pay as much for the transportation of advertisements as the magazines are required to pay, and this, too, in the face of the fact that while the magazines get from \$1,000 to \$5,000 per page for their advertisements, the newspapers would be glad and do give the same amount of space to advertisers for from \$25 to \$100.

Does not this clearly show the injustice of putting the newspapers and magazines in the same class?

The cost of transportation paid by the department to the railroads, as shown by the records furnished by the Post Office Department through the Hon. James B. Corridon, head of the Bureau of Railway Adjustments, and based on 12,000 pounds, carried in a 60-foot car per 100 pounds would be in all of the zones as follows:

First zone, 50 miles	\$0.12 7-24
Second zone, 150 miles .....	.29 19-24
Third zone, 300 miles .....	.56 1-24
Fourth zone, 600 miles	1.12 2-14
Fifth zone, 1,000 miles	1.76
Sixth zone, 1,400 miles	2.40
Seventh zone, 1,800 miles	3.04
Eighth zone, 2,200 miles	3.68

The above figures for each and all of the zones were made on the basis of the cost paid to the railroads for transportation. The figures do not include the cost paid for 40 per cent extra cars (often hauled in trailloads) for the magazine publications, upon which the Government secures tonnage and revenue only one way, while it pays the railroads for the use of the cars both ways, for the reason that the newspapers of the country do not require extra cars. They only use the cars regularly in the service on regular trains. Barring this one difference, the figures above given embrace every item of cost paid by the Government to the railroads which can in any way be chargeable to the transportation of newspapers.

We submit that in putting the newspapers in the class by themselves that the cost of transportation should furnish the basis of determining the rate of postage, and that a reasonable sum above that cost should be added to meet a proper proportion of the department's overhead charges.

The extent of the service rendered by the department of the newspapers is very meager, as compared with the services performed in handling other mail matter. The newspaper publishers do not ask the postmaster to call at their places of publication for the papers. The publishers perform that duty. They bind the papers in appropriate bundles and haul them, not only to the post office but in many cases to the railway station, where, after being weighed, the bags and bundles are taken to the postal car already on the train and put them in the car. The service performed by the employees of the post office is to weigh the papers, which, as a rule, can be done in a few minutes for each train by one man, the only other service being that performed by the mail agent in charge of the car, whose duty it is to take care of the bundles and bags of mail until they reach their destination, and then throw them off on the platform for an agent of the newspaper to receive them and make delivery to the subscribers. This system adds little or nothing to the expense of the department, since the man who weighs the bundles at the station also looks after the delivery of other mail from the post office to go out on the same trains, and the mail agent who handles the papers on the train and throws them off at destination would receive the same rate of wages that he now receives, whether he handled these papers or not; nor would there be any diminution of the amount paid to the railroads for hauling newspapers, if they hauled none, since the railroads are paid so much per mile for hauling the cars, whether loaded to their capacity or empty. Therefore, the larger number of papers the department can induce the publishers to send by mail, the greater net revenue to the department. If half of the capacity of each car was filled with newspapers, it would serve to add that much to the net receipts of the department, whereas if no newspapers were hauled it would not diminish the expense of the department to the extent of a farthing but only serve to decrease its receipts.

Under these circumstances the overhead expense chargeable to the newspapers would be very limited—merely nominal, so to speak—and yet they have hitherto signified a willingness to have the 1 cent per pound continue within the first three zones of 300 miles, and a reasonable advance, based upon additional cost, for the zones beyond.

What really should be done in all fairness to the Government and the newspapers is to fix the rate for each of the zones on the basis of cost paid to the railroads by the Government, with a reasonable overhead charge added.

Regardless of what the rate may have been in the past, and with the view of meeting the situation, the suggestion is made that in all fairness the following rate for newspapers might be equitably established by act of Congress:

Zone and distance.	Rate per 100 pounds.	Surplus for overhead charges.
First zone, 50 miles.....	\$0.50	\$0.37
Second zone, 150 miles.....	.75	.45
Third zone, 300 miles.....	1.00	.44
Fourth zone, 600 miles.....	1.75	.63
Fifth zone, 1,000 miles.....	2.50	.74
Sixth zone, 1,400 miles.....	3.25	.85
Seventh zone, 1,800 miles.....	4.00	.96
Eighth zone, 2,200 miles.....	4.75	1.07

These rates are suggested because they have behind them not a visionary but a sound and equitable basis upon which they were reached. They are fair to the Government and fairly just to the publishers of newspapers.

The advertising scheme discussed in connection with rates on second-class matter is, as already indicated, quite impracticable as applied to newspapers. It is unworkable and eminently unjust to the newspapers.

Magazines may and do raise their advertising rates to meet extraordinary conditions. Newspapers, under existing conditions, with a threatened decrease in circulation by reason of an advance in subscription price on account of the enormous increase in the cost of print paper, have nothing to offer their advertisers to justify an increase in advertising rates. Moreover, local advertisers, who furnish the daily newspapers of the country 80 per cent of their advertising, attach but little, if any, value to circulation beyond a zone of 100 miles, and wouldn't think of paying an increased price on advertising to help newspapers hold or increase their circulation beyond that distance.

Thus again clearly indicating that newspapers and magazines do not belong in the same class.

The newspaper publishers of this country, barring a half dozen who may have interests in magazines, want the newspapers put in a class of their own, separate and apart from magazines.

These publishers know that a rate of 1 cent per pound within the first, second, and third zones of 300 miles will more than meet the expense incurred by the Government in the transportation of newspapers, and yet they are entirely willing to accept this rate if Congress in its wisdom shall declare this to be necessary and a less rate to be impracticable.

The newspapers are willing, in addition, to submit to any reasonable increase of this rate on the zones beyond 300 miles. They are unalterably opposed to the injection of the matter of advertising in the rate of postage. They know that such a plan is neither feasible, desirable, nor just from any point of view.

The newspapers favor the zone system and an equitable adjustment of rates under that system. They, therefore, respectfully urge that their appeal in respect to these matters be given the favorable consideration of Congress.

The publishers of daily newspapers of this country, owing to the enormous increase in the cost of white paper, ink, metal, and other materials used in the publication of newspapers, including increased wages to their employees, are in sore distress. It is safe to say that not many of these publishers in the interior of the country are making both ends meet. Many are losing large sums annually. They are needing help. They are not asking financial aid from the Government, but only legislation as shall accord to them fair treatment.

They do not want either bounty or subsidy, but are making an appeal to the Congress for the enactment of such a law in the matter of postal rates as shall be equitable alike to the Government and the newspapers. This is what the large body of newspapers are needing and what they feel they are entitled to receive.

The existing war has brought on the publishers of the daily newspapers of the country burdens the like of which few enterprises are being called upon to bear, and burdens so heavy that they have in many cases become practically unbearable. They have, notwithstanding, borne these burdens as best they could and added to them by largely increasing the size of their papers, at an enormous increase of expenses, and devoted that additional space and more without the hope of fee or reward to aid the Government in the prosecution of the war, and they insist that the newspapers in this matter have been so faithfully and loyally seeking to serve this country that Congress should not turn a deaf ear to their appeal, but manifest a determination to adjust the matter of postal rates on a basis that shall be fair and equitable.

Respectfully submitted.

E. B. STAHLMAN, *Nashville Banner*;

LOUIS J. WORTHAM, *Fort Worth Star-Telegram*;

UREY WOODSON, *Owensboro Messenger*;

ALFRED F. SANFORD, *Knoxville Journal and Tribune*;

JAMES M. THOMPSON, *New Orleans Item*;

Committee of the Southern Newspaper Publishers' Association.

WASHINGTON, D. C., January 11, 1918.

The Post Office Department's answer to the above statements is as follows:

OFFICE OF THE POSTMASTER GENERAL,
Washington, D. C., March 9, 1918.

HON. JOHN A. MOON,
*Chairman Committee on the Post Office and
Post Roads, House of Representatives.*

MY DEAR JUDGE MOON: I am inclosing herewith a brief prepared by Mr. Stewart, special assistant to the Attorney General, analyzing the statements made by Maj. Stahlman, of Nashville, Tenn., at the time he appeared before your committee in connection with the increase in postage rates on second-class matter.

Very sincerely,

A. S. BURLESON,
Postmaster General.

MEMORANDUM.

POST OFFICE DEPARTMENT,
SPECIAL ASSISTANT TO THE ATTORNEY GENERAL,
Washington, February 13, 1918.

The testimony of Mr. E. B. Stahlman, of the Nashville Banner, given before the House Committee on the Post Office and Post Roads upon the subject of the provisions of the act to provide revenue to defray war expenses, and for other purposes, especially relating to postal rates, has been carefully examined.

The argument contained therein for a discrimination in postage rates for newspapers and for magazines in favor of newspapers will not be discussed here. The evidence will be examined mainly with reference to Mr. Stahlman's contentions regarding the practicability of the provisions of the law, the cost of performing the service, and the adequate rate therefor. Contention is made that the provisions of the act as to the different rates for advertising matter contained in the newspapers dispatched to the different zones are impracticable and unworkable and will involve great expense to the newspapers and to the Post Office Department. This is not substantiated by the best judgment of the postal officials. Every newspaper keeps a record of its space devoted to advertising and it also has a record of the editions dispatched to its patrons. There is nothing impracticable in systematizing such a record and dispatches so as to properly report the facts to the Post Office Department in such manner as to enable the proper rating of the postage charge without undue expense either to the publishers or to the department. The department is willing to undertake the duties under such a provision and carry them out.

The main contention appears to be that the provisions of the act have discriminated against newspapers so far as the zone system is concerned, and this contention is based upon a claim that the newspapers virtually pay their cost of transportation and delivery. This conclusion is based upon fundamental error as to the cost of the service, and although the error is substantially the same as made heretofore and was pointed out specifically by the department when the bill was pending, it is again advanced with argument to sustain it. It would seem necessary, therefore, to show its fallacy.

Before proceeding note will be taken of the contention that it has been "well established that the only publishers that are paying their way under the flat rate of 1 cent a pound are the newspapers whose circulation is limited largely to a zone of 300 miles." As a matter of fact, the average transportation cost by railroad and other means for a distance of 225 miles (that being the average distance in the third zone) is 1.58 cents a pound. The average cost per pound of all second-class matter for handling and overhead charges is 3.86 cents. This makes a total of 5.44 cents a pound on the average for transportation the average distance to the third zone. Inasmuch as the newspapers pay only 1 cent per pound, it is evident that they do not even pay the transportation cost, to say nothing of the overhead charges.

Incidentally the rates which will apply under the act to newspapers on the basis of 50 per cent advertising during the several years of increase and within a zone of 300 miles are not accurately stated, being overstated for the third and fourth years.

Mr. Stahlman's theory of the cost of transportation is based upon the assumption that the average load of a 60-foot car throughout the entire service is 12,000 pounds. He has set forth by zones his supposed cost of 100 pounds upon that basis. Of course, he can not escape the conclusion that he must assume the average load throughout the entire service to be 12,000 pounds, for it is evident that even isolated instances of 12,000 pounds contained in a car will not sustain his contention. A rate must apply to the entire service and not to such an isolated case.

Let us examine his assumption. Second-class mail matter is carried in the service in railway post-office cars (working cars) in car units of 60 feet, 30 feet, and 15 feet; in storage cars in units of 60 feet; in storage units in baggage cars of 30 feet, 15 feet, 7 feet, and 3 feet; in closed pouches carried in 7-foot and 3-foot units; and in closed pouches paid for on the weight basis. The dense load of the car is never, as a rule, found in the working cars, but only in the storage cars. Newspapers are not carried in the densely loaded cars to the extent that they are carried in the working cars where the load is less dense. In 1907 the average load of a 60-foot storage car was $7\frac{1}{2}$ tons, of a 60-foot railway post-office car $2\frac{1}{2}$ tons, of a 30-foot apartment railway post-office car three-quarters of a ton, of a 15-foot apartment railway post-office car one-sixth of a ton. Therefore, unless the average load of specific units and the average load of all cars has changed most radically, it is impossible that the average load is now 12,000 pounds. Furthermore, any average load for the entire service will also be modified by the ratio of service performed in the different classes of cars. On November 1, 1916, that ratio was: Railway post-office cars, 58.92 per cent; storage cars, 19.30 per cent; closed-pouch service, 21.78 per cent. It is seen that the service in which the load is light comprises more than 50 per cent of all services.

The department is now computing the average loads under a weighing held in April, 1917. This is not completed, but there is a way of very closely approximating the average load on a 60-foot basis for the entire service. The actual ton-miles of a service based upon the weighings of the mails on June 30, 1916, was 748,715,676. The actual car-miles of service stated on the space basis equated to a 60-foot unit on October 30, 1916, was 272,068,670. The latter divided into the former gives 2.88 tons, which is the average per 60 feet of space for the entire service on that date on that basis. The car miles, however, do not include closed-pouch service. Therefore, if that were added it would somewhat reduce this average load. It is perfectly apparent, therefore, that the assumed average load of 6 tons (12,000 pounds) is far too high, and therefore all Mr. Stahlman's figures based thereon are erroneous.

Mr. Stahlman has given specific examples to support his theory that 12,000 pounds on the average is carried in the car. In the examples he has given he has taken total weights but he has not taken the total cars or all car space carrying those weights as shown by the records of the department. Therefore, his quotient, representing an approximate average load, is far too high. But even if his specific example supported his theory he would have to make the example an average throughout the entire service in order to reach his conclusion. As seen above, this can not be done.

He argues further that as smaller tonnage could be loaded in smaller units of cars, the department could thereby reduce the unit rate by avoiding authorizing larger units of space. This is fallacious in two particulars. First, in assuming that the department would authorize a great deal of unused space to carry the mails, and, second, that the unit cost per pound would be less if carried in a 30-foot car than if carried in a 60-foot car. The unit cost is higher in a 30-foot car than in a 60-foot car, assuming the same load per foot. His argument therefore fails here as well.

While not attempting to discuss his proposition to give newspapers special privileges over magazines, some errors in his assumptions regarding the relative cost of carrying these over the same distances should be noted. For instance, he assumes a shipment aggregating 500 pounds of magazines from Chicago to Atlanta, for which he says the magazine publisher would pay \$9.375. By applying this rate to the provisions of the act, it is noted that this would carry the matter into the sixth zone, which is a distance of 1,400 miles. He then compares rates on shipments of newspapers from Chicago, and concludes with the statement that the cost to newspapers would be \$39.625 for an average weight of 500 pounds. But an examination of his statement does not show an average of merely 500 pounds of newspapers carried, but shows 1,000 pounds

carried at \$15.62, which rate should be either \$13.75 to the third zone, 300 miles, or \$16.25 to the fourth zone, 600 miles. His next example is 100 pounds put on at Terre Haute at a rate of \$1.875, which would carry it to the sixth zone, or 1,400 miles. The next example is 100 pounds on at Evansville at the same rate named above, which would carry 1,400 miles. His next example is 1,000 pounds on at Nashville, at a rate of \$15.625, which would carry between 300 and 600 miles. His last example is 300 pounds on at Chattanooga, at a rate of \$4.625, which, if \$4.125, would carry to the third zone, 300 miles, and, if \$4.875, would carry to the fourth zone, 600 miles. So it is perfectly evident that he is not comparing the same weight of newspapers with the same weight of magazines carried from Chicago to Atlanta. Given the same weight and ratio of advertising matter, the postage on newspapers will be exactly the same as on magazines for the haul from Chicago to Atlanta.

Mr. Stahlman argues that the department renders little or no service in the matter of handling newspapers, and, further, that the expense of railroad transportation would be practically the same if newspapers were withdrawn.

With reference to the first, the facts are quite contrary to his contention. The example he gives of newspapers put up in bundles and requiring no distribution are not the rule in the service. He probably has in mind, in part at least, the large volume of newspapers which are transported by the railroad companies without going into the mails. It is true that most newspapers make up their matter, as requested by the department, but this make-up does not obviate the necessity for further distribution of the greater part of it.

The second contention, namely, that the department would pay the railroads the same if the newspapers were withdrawn, is subject to two criticisms: First, it is not correct that the same space would be authorized—that is, that no diminution in the authorization could be made; and, second, the theory that newspapers should not be charged any part of the cost of the mail service because the cost of operation would be continued if they were withdrawn violates the fundamental principle of cost ascertainment. On the same theory, every class of mail that could be withdrawn without a material change in the postal plant could make the same claim.

The same criticism applies to his contentions with reference to the Rural Delivery Service. All other classes of mail could claim with equal reason that they should not be charged with any of the cost of rural delivery, on the ground that the service would have to be maintained whether they were carried or not.

If it is desired to give consideration to cost figures merely related to transportation, as separate from the handling to any or all of the zones, or to consider the total cost in the same manner, the table below will give the basis therefor.

Estimated average cost of carrying and handling second-class mail matter per pound the distance indicated.

Parcel-post zones.	Mean distance (to center of zone indicated).	Transportation (railroad and other).	Handling and overhead charges.	Total.
	Miles.	Cents.	Cents.	Cents.
First, second, and third.....	225	1.58	3.86	5.44
Fourth.....	450	2.49	3.86	6.35
Fifth.....	800	3.90	3.86	7.76
Sixth.....	1,200	5.52	3.86	9.38
Seventh.....	1,600	7.14	3.86	11.00
Eighth.....	2,000	8.76	3.86	12.62

JOSEPH STEWART,
Special Assistant to the Attorney General.

Senator HARDWICK. Mr. Chairman, the Postmaster General has requested the First Assistant Postmaster General, Mr. Koons, to attend this hearing, and we will want to hear him.

The CHAIRMAN. The department will doubtless desire to present some facts about this matter.

Senator McKELLAR. Mr. Glass, have you anything further?

Mr. GLASS. The publishers, for the present, have finished. We have no further argument to present now.

The CHAIRMAN. I have here the card of a gentleman, which was handed to me—Mr. Stephen Farrelly—who wanted to be heard. Is he here?

Mr. FARRELLY. Yes; Mr. Chairman, I would like to have five minutes.

The CHAIRMAN. I do not know what you want to talk about, but you may proceed for five minutes.

**STATEMENT OF MR. STEPHEN FARRELLY, MANAGER OF THE
AMERICAN NEWS CO., 9 PARK PLACE, NEW YORK.**

Mr. FARRELLY. I represent the largest agency distributing periodicals in this country. We send out several millions every month. We ship from the post office at New York alone sometimes 5 tons a day. That represents over 500 different publications. Each publication is subject to 16 separate rates of postage, two for each zone, one on the reading matter and the other on the advertising matter. Five hundred times 16 makes 8,000 different rates of postage which we have to deal with every month. That changes every month. Next month it is different entirely. No schedule can be made up for it. I have no doubt the department will endeavor to simplify the matter as far as they can, but they can not simplify it to relieve us from the vast amount of clerical work necessary to comply with the law.

Senator VARDAMAN. What is the character of these publications?

Mr. FARRELLY. They are weekly and monthly.

Senator VARDAMAN. They are magazines?

Mr. FARRELLY. We distribute daily papers by the million, as well, but very little through the mails.

Senator VARDAMAN. You would not do that, would you? I thought each publication would attend to that?

Mr. FARRELLY. We have to do it. We ship about 10,000,000 a month of magazines; that is, altogether; not by mail; 80 per cent goes not by mail, and 20 per cent through the mails.

I see no reason why magazines should be separated in their consideration before this committee. The zone system is false in theory, and it is not fair to the citizen to tax him because he lives outside of a particular zone. If a man lives on the other side of the Ohio River, which is outside of the zone, it is not fair to tax him for living in Cincinnati. It is not fair to tax him for living there, who is entitled to all of the privileges before the department.

Senator BECKHAM. He has to stand for the consequences of that difference of location in other matters.

Senator McKELLAR. Yes; if he goes to New York he will have to pay more; but the mail is not a commercial proposition.

Mr. FARRELLY. I have watched the postal legislation without interruption for 40 years past. There are no more loyal supporters of the Government than the magazines, notwithstanding all the good that the newspapers have done, and I think they deserve all that consideration that they have talked about to-day—

The CHAIRMAN. You may file a brief. Put your argument in a brief. There is another gentleman here, Mr. Neal, who wants to be heard for just a minute.

**STATEMENT OF MR. JESSE H. NEAL, SECRETARY-TREASURER
PUBLISHERS' ADVISORY BOARD, NEW YORK CITY.**

Mr. NEAL. I represent the Publishers' Advisory Board, which is a federation of the Periodical Publishers' Association, the Associated Business Papers (Inc.), the American Association of Medical Publications, the Agricultural Publishers' Association, the Association of Religious Press, the Allied Printing Trades Council, and the Authors' League of America. The publications in that list have a circulation of 35,000,000, and we are here to-day not to make an argument because we knew of this meeting only by accident, and are here in the capacity of listeners only, but we believe if this subject is to be considered that we should have the courtesy of sufficient time to present the facts affecting our own publications and our own situation.

I may say, however, that each of the publishing organizations which I have the honor to represent is in favor of a postponement of the present postal rates that were inserted in the revenue bill until a year or so after the close of the war.

With that I will simply repeat the request that we be given the privilege of a hearing before your committee.

Senator VARDAMAN. Would you just as soon present your case in a brief? Would you just file a brief with the committee?

Mr. NEAL. The different publications here would be very glad to do so, but many questions will arise in connection with the presentation of testimony, calling for cross-examination and further information which can be supplied very quickly in a hearing.

The CHAIRMAN. Is it not your purpose, very frankly, to ask for an extension of the franking privilege to these papers?

Mr. NEAL. Well, Senator, I do not suppose you mean that seriously.

The CHAIRMAN. I do mean it seriously.

Mr. NEAL. Because I am not in a position to answer that. I simply say that the only statement I care to make to-day is that these organizations desire a postponement of the present measure until the close of the war.

The CHAIRMAN. Well, the committee is going to act on this thing. You may file a brief if you desire to do so.

We will adjourn until 2 o'clock to-morrow afternoon, when we will meet again for the purpose of hearing the people from the Post Office Department.

(At 4.30 o'clock p. m. the committee adjourned until to-morrow, Wednesday, May 1, 1918, at 2 o'clock p. m.)

SECOND-CLASS POSTAGE RATES.

WEDNESDAY, MAY 1, 1918.

UNITED STATES SENATE,
COMMITTEE ON POST OFFICES AND POST ROADS,
Washington, D. C.

The committee met at 2 o'clock p. m., Hon. John H. Bankhead (chairman) presiding.

The CHAIRMAN. The committee will come to order. Gentlemen, the purpose of this meeting is to give the Post Office Department an opportunity to present their views with reference to the second-class matter that we were discussing here yesterday, and Mr. Koons was present during that discussion, and he is here for the purpose of making a statement for the Post Office Department. You may proceed, Mr. Koons.

STATEMENT OF HON. JOHN C. KOONS, FIRST ASSISTANT POST-MASTER GENERAL.

Mr. KOONS. Mr. Chairman and gentlemen of the committee, the first thing that I want to state—and I will just state it briefly—is a point that occurred to me yesterday, and I will then gladly answer any questions the members wish to ask.

The matter of increased rates of postage on second-class matter have been pending for a great many years. The present low flat rate was enacted in 1885. It has been investigated by at least one commission and on numerous occasions by the department. Increased rates have been recommended by practically every Postmaster General for the last 12 or 15 years.

The act that goes into effect on the 1st of July, as you know, is a part of the revenue bill. The department's attitude on the legislation was stated yesterday by Senator Hardwick, and is a matter of public record. The Congress has passed this legislation. The department is not in favor of any change or suspension of the law at this time.

The bill as passed, as you know, provides a separate rate for reading matter and advertising matter.

Senator HARDWICK. Just one thing there, Mr. Koons, so that there may be no misunderstanding in the mind of any gentleman here present; this precise proposition as carried in the revenue bill was recommended by the Postmaster General to the conferees, was it not?

Mr. KOONS. Yes, sir; he suggested a low flat rate for reading matter and a zone rate for advertising. And the rates were agreed upon by the conferees.

Senator HARDWICK. And the Postmaster General in conference with them?

Mr. KOONS. Yes; he was consulted. Now, the present low flat rate of 1 cent a pound has been in effect for many years, and that rate was fixed for the purpose of the dissemination of news and educational matter. It was the desire of the department that this flat rate be continued. At the time the present law was passed the advertising matter constituted about 5 per cent of the publications, and the flat rate will continue on publications that do not exceed this amount.

Senator HARDWICK. You mean when—in 1885?

Mr. KOONS. Yes. We have been able to find a few of the publications in the Public Library. The Saturday Evening Post, for instance, on July 11, 1885, carried a total number of columns of 64. It carried 3.7 columns of advertising. In the issue of April 14, 1917, the total number of columns was 528, with 324 columns of advertising, or 61 per cent. It has increased from 5.8 per cent to 61 per cent of advertising.

Harper's Magazine apparently carried no advertising, so far as we are able to ascertain, in the early days. In the issue of January, 1885, it carried 48 columns out of a total of 328. In the issue of April, 1917, out of a total of 574 columns it carried 238 columns of advertising; or had increased from nothing to 41.49 per cent. Now, that statement is true with a number of other publications.

The CHAIRMAN. Well, Mr. KOONS, if you will permit me to suggest, the question of the rate on magazines is not before the committee. We are not discussing that.

Mr. KOONS. I understand. My only view in bringing that up is to explain why the low flat rate was originally fixed on second-class mail and why a different rate should now be fixed because of the great increase in the quantity of advertising in newspapers as well as magazines. I just used these as illustrations.

Senator HARDWICK. Now, I wish you would file those tables with the stenographer and let them go into the record.

(The paper referred to follows:)

Proportion of advertising to reading matter in certain publications of the dates indicated.

SATURDAY EVENING POST, PHILADELPHIA, PA.

Date of issue.	Total columns contents.	Advertising columns.	Advertising.	Date of issue.	Total columns contents.	Advertising columns.	Advertising.
			<i>Per cent.</i>				<i>Per cent.</i>
Aug. 1, 1874.....	48	1½	3.12	July 22, 1876.....	48	4.4	9.16
Oct. 17, 1874.....	48	1½	3.12	Jan. 3, 1885.....	64	5.4	8.44
Dec. 26, 1874.....	48	0.7	1.50	May 2, 1885.....	64	3.2	5.00
Jan. 1, 1876.....	48	8.1	17.00	July 11, 1885.....	64	3.7	5.80
May 6, 1876.....	48	7.5	15.62	Apr. 14, 1917.....	528	234.0	61.00

HARPER'S MAGAZINE, NEW YORK, N. Y.

Date of issue.	Total columns contents.	Advertising columns.	Advertising.	Date of issue.	Total columns contents.	Advertising columns.	Advertising.
June, 1850.....	290	None.	None.	January, 1875.....	302	None.	None.
July, 1850.....	290	None.	None.	June, 1875.....	320	None.	None.
August, 1850.....	286	None.	None.	October, 1875.....	302	None.	None.
September, 1850.....	288	None.	None.	January, 1885.....	328	48	14.63
October, 1850.....	286	None.	None.	May, 1885.....	320	52	16.25
November, 1850.....	286	None.	None.	October, 1885.....	370	44	11.89
December, 1850.....	288	None.	None.	April, 1917.....	574	238	41.49

Proportion of advertising to reading matter in certain publications of the dates indicated—Continued.

NORTH AMERICAN REVIEW, NEW YORK, N. Y.

Date of issue.	Total columns contents.	Advertising columns.	Advertising.	Date of issue.	Total columns contents.	Advertising columns.	Advertising.
			<i>Per Cent.</i>				<i>Per Cent.</i>
January, 1850.....	264	None.	None.	July, 1875.....	244	3	1.23
April, 1850.....	276	None.	None.	October, 1875.....	268	23	8.61
July, 1850.....	272	None.	None.	January, 1885 ¹	116	18	15.51
October, 1850.....	264	None.	None.	May, 1885 ¹	108	10	9.34
January, 1875.....	252	7	2.78	October, 1885 ¹	114	6	5.31
April, 1875.....	260	7	2.70	April, 1917 ¹	178	16	8.99

AMERICAN AGRICULTURIST, NEW YORK, N. Y.

January, 1850.....	62	44	7.26	October, 1875.....	120	294	24.58
March, 1850.....	64	74	11.19	January, 1885.....	144	45	31.25
October, 1850.....	64	54	8.85	March, 1885.....	150	584	38.75
January, 1875.....	132	354	26.89	October, 1885.....	150	57	38.00
March, 1875.....	120	334	28.05	May 12, 1917.....	80	32	40.00

¹ Monthly.

Mr. KOONS. This shows that since the present law was passed a new feature has entered into the business of these publications, and that is the feature of advertising. They have commercialized to a large extent the second-class matter.

Senator VARDAMAN. Mr. Koons, do you know anything about the rates that those people charge for advertising? For instance, the Saturday Evening Post; somebody told me that the back page brought as high as \$7,000 an issue.

Mr. KOONS. I have those figures, Senator, but I did not bring them with me. But my information is that that is correct.

Senator HARDWICK. You have made some investigation of that?

Mr. KOONS. Yes.

Senator HARDWICK. Can you furnish that to the committee?

Mr. KOONS. Yes, sir.

(The following statement was furnished the department by a publisher:)

Prices for advertising.

	Page.	Column.		Page.	Column.
Christian Herald.....	\$900.00	\$255.00	Cosmopolitan.....	\$1,750.00	\$643.50
Saturday Evening Post.....	5,000.00	1,250.00	McCall's.....	2,160.00	804.00
Collier's Weekly.....	3,000.00	750.00	McClure's.....	1,445.00	425.00
The Youth's Companion.....	1,600.00	475.00	Metropolitan.....	1,400.00	350.00
Literary Digest.....	1,280.00	435.00	Modern Priscilla.....	1,680.00	420.00
Harper's Magazine.....	225.00	112.50	Review of Reviews.....	300.00	150.00
American Magazine.....	1,200.00	429.00	Scribner's.....	250.00	125.00
Delineator.....	3,500.00	1,000.00	Successful Farming.....	1,800.00	600.00
Everybody's.....	700.00	250.00	Woman's Home Companion...	3,800.00	1,000.00
Farm Journal.....	2,205.00	750.00	World's Work.....	224.00	112.00
Good Housekeeping.....	1,000.00	357.50	Iron Age.....	72.00	(?) 36.00
Ladies' Home Journal.....	6,000.00	1,600.00	Engineering News-Record....	(?) 48.00	(?) 24.00

The CHAIRMAN. That rate is outrageously high.

Senator SMITH of South Carolina. Mr. Koons, I want to ask this question. I may have misunderstood this while they were testify-

ing yesterday. You have got a zone—about 300 miles maximum—in which the greatest number of newspapers circulate from their offices?

Mr. KOONS. Yes, sir.

Senator SMITH. What is the cost, whether profit or loss, to the Government at the present time, at the existing rate within that zone?

Mr. KOONS. Mr. Stahlman took that up yesterday in his statement to Senator McKellar, and if the committee will permit I will ask the privilege of adding to his statement our answer to the question you have in mind, so that they can appear together.

Senator MCKELLAR. I would be very glad, indeed, to have that.

Mr. KOONS. Now, for the first, second, and third zone rates, the average cost would be 5.44 cents a pound. That includes transportation, handling, and overhead charges.

Senator SMITH of South Carolina. That includes the 300 miles?

Mr. KOONS. Yes; that is the first 300 miles. For the fourth zone, which is from 300 to 600 miles, 6.35 cents; in the fifth zone, which is from 600 to 1,000 miles, 7.76 cents; in the sixth zone, 1,000 to 1,400 miles, 9.18 cents; in the seventh zone, from 1,400 miles to 1,800 miles, 11 cents; and in the eighth zone, 1,800 miles and over, 12.62 cents.

Senator SMITH of South Carolina. Now, what is the present rate on the first 300 miles?

Mr. KOONS. One cent. That is the flat rate—1 cent all over the United States.

Senator HARDWICK. He means under the new law.

Senator MCKELLAR. The first year it is 1½ cents.

Mr. KOONS. The first year it is a cent and a quarter on printed matter, the flat rate all over the United States, and a cent and a quarter for the first and second zones on advertising matter, the portion devoted to advertising, and a cent and a half in the third zone.

Senator SMITH of South Carolina. Now, the thing that I would like to get at is, is the Government losing any money in carrying this second-class matter in the first zone under the present rate, not the proposed rate?

Mr. KOONS. To the first, second, and third zones, under the present rate we are losing an average of 4.44 cents a pound.

Senator VARDAMAN. Now, if the Government charged the newspapers the actual cost of transmitting them in the first zone, what would be the rate?

Mr. KOONS. Why, it would be for the first three zones 5.44 cents instead of one and a quarter, as the bill provides for.

Senator HARDWICK. I understood that these gentlemen here, Maj. Stahlman, speaking for them, said they wanted the price put on.

Mr. KOONS. Well, I want to say regarding Maj. Stahlman's statement—I have the highest regard for the Major, but the basis of his calculations as to costs is wrong. He is laboring under a false impression in this respect. He asked the department a hypothetical case what it would cost to transport 12,000 pounds of mail in a 60-foot car, and they furnished the cost, and on that he bases his cost of transportation. But we do not haul 12,000 pounds of mail in a car; it is impossible to haul that much. We do not even average

half that much. That is fully answered on page 17 of this brief that I have just given you gentlemen, which explains it in full, and if you desire I can read it.

Senator HARDWICK. Is there any difference between Maj. Stallman's estimate and the department's estimate on overhead charges?

Mr. KOONS. As I understand it, the major made none on overhead charges. Am I correct in that, Major? Did you make any estimate on the overhead charge?

Mr. STALLMAN. No; I made the allowance of 100 per cent on certain zones and 75 per cent on others.

Senator HARDWICK. You added what you thought were the overhead charges, too?

Mr. STALLMAN. Yes, sir.

Now, take the first zone, 50 miles; Mr. Koons, what do you figure that the cost of transportation of newspapers in that zone would be, overhead charges and all?

Mr. KOONS. The average cost of handling and overhead charges would be 3.86 cents a pound, and the transportation charge for 50 miles would be a quarter of a cent a pound.

Senator MCKELLAR. Isn't that all out of proportion? Here is the actual cost of transportation within the first zone, 50 miles, a quarter of a cent a pound, and the overhead charges for that same work you figure at 3.86. Now, how do you arrive at such an enormous overhead charge for that work?

Mr. KOONS. Senator, the overhead charge and costs of handling are practically the same for the first zone as for the distant zones, for this reason—

Senator MCKELLAR (interposing). That is the only way you can figure it out, isn't it?

Mr. KOONS. For this reason: You have the same terminal charges whether sent to the first or eighth zone; you must haul it from the depot to the office of address and make the distribution and delivery.

Senator MCKELLAR. Now, let me give you an illustration. I just happen to know this of my own knowledge. You take the Commercial Appeal at Memphis. My recollection is that they haul their papers down to the train that leaves there early in the morning, put them on the train, on a mail train, and then they are just dropped off at the various stations as that accommodation train goes out along the various lines. Now, I just can not see where the cost of transportation is on this 0.25 cent a pound. That, added to 3.86 cents, is over 4 cents a pound, and I don't see how that can be added under circumstances like that. I don't see where you get that overhead charge. You have got to charge up something else along general lines to make it reach any such sum as that.

Mr. KOONS. This is true, Senator: Where the publisher hauls the paper to the depot we send a clerk to the office to weigh it. It is routed in the office, taken to the depot, and from there the Postal Service distributes and delivers it.

Senator MCKELLAR. Well, nine-tenths of those papers are dropped off along the road. I will give you another illustration: Take the Southern Railroad, which runs out of Memphis down through Tennessee and northern Mississippi and Alabama. It leaves Memphis at 2 o'clock in the morning. Now, the Commercial-Appeal sends its

own messenger and hauls the papers themselves to the station. They are put on the mail train in bundles. For instance, the first bundle is marked Collierville, because that is the first stop that that train makes; the next one Rossville, the next Grand Junction, the next Middleton, and various other stations all along. They are all marked on the various bundles, and all the clerk on the car has to do is just to drop those bundles off, and they are distributed by an agent of the company that gets those papers at each place, a boy usually, and he distributes the papers at that little place every morning. Now, that is the bulk of the papers, and that is so on every railroad that runs out of Memphis. I am not talking about other places, but I know that is the case there. Now, under those circumstances, and with my knowledge of those circumstances, it is absolutely incomprehensible to me to understand how you can get 3.86 cents overhead charges for the hauling of papers when the hauling itself doesn't cost but twenty-five hundredths of a cent. There is something wrong somewhere.

Senator STERLING. Your illustration is applicable the country over.

Senator McKELLAR. Of course; and the only difference in the cost of transportation is due to the distance.

Mr. KOONS. But, Senator, you are speaking of the outside news-dealer bundles, very few of which go by mail.

Senator McKELLAR. I imagine that would probably mean 80 per cent of the papers. I don't think I am out of the way far on that statement.

Mr. KOONS. A great many of the news-dealer bundles are not even handled in the mail service. They are handled by the express companies in baggage cars. The packages to which you refer are what are known as "outside news-dealer packages." In many instances they represent but a small portion of the entire weight transported by mail, as the following instances will serve to illustrate:

NASHVILLE BANNER.

NASHVILLE, TENN., May 2, 1918.

FIRST ASSISTANT POSTMASTER GENERAL,
Washington.

Twenty-five outside packages week days by Nashville Banner.

SHANNON, *Postmaster.*

NASHVILLE, TENN., May 3, 1918.

FIRST ASSISTANT POSTMASTER GENERAL,
Washington, D. C.

Weight total mailings Nashville Banner this day, 4,729 pounds. Weight outside packages for news dealers, 115 pounds.

SHANNON, *Postmaster.*

COMMERCIAL APPEAL.

MEMPHIS, TENN., May 2, 1918.

FIRST ASSISTANT POSTMASTER GENERAL,
Washington, D. C.:

Two hundred eighty-four outside news-dealer packages sent through mail week days Commercial Appeal.

METCALF, *Postmaster.*

MEMPHIS, TENN., May 3, 1918.

FIRST ASSISTANT POSTMASTER GENERAL,
Washington, D. C.:

Total weight outside news-dealer packages, 3,019 pounds. Total weight, all mailings, Commercial Appeal, one day, 8,503 pounds.

METCALF, *Postmaster.*

BIRMINGHAM NEWS.

BIRMINGHAM, ALA., May 2, 1918.

KOONS,

First Assistant, Washington:

Eighty-seven outside news-dealer packages sent by Birmingham News on week days.

SMYER, *Postmaster.*

BIRMINGHAM, ALA., May 3, 1918.

KOONS,

First Assistant, Washington:

To-day total weight Birmingham News mailing, 3,629 pounds. Ninety-six outside news-dealer packages weigh 1,119 pounds.

SMYER, *Postmaster.*

Senator VARDAMAN. I would like to ask Senator McKellar if the conditions in Memphis with the Commercial Appeal are the conditions throughout the United States.

Senator McKELLAR. I think it is practically so. The same is true of the afternoon paper, and since this matter has come up I have taken the occasion to inquire, to be quite certain.

Senator VARDAMAN. I am quite sure that following the example of Memphis in everything would be best for the country.

Senator McKELLAR. There is no doubt about that. [Laughter.]

Mr. KOONS. With your permission, if I may add, one thing that would bring up these costs—now, the newspaper bundles you are speaking of are news-dealer bundles; it is true there is very little expense attached to them—but then the Postal Service handles all the copies that go to the subscribers on the rural routes, and the daily papers have a tremendous circulation on the rural route.

Senator McKELLAR. Yes; they have some, but nothing like as much as those that are handled through the dealers.

Now, you take another thing. You take Mr. McAneny's paper. You handle that, such copies of it as are shipped from New York. They are bundled and sent, ordinarily, to a news dealer in the city of Memphis, and that news dealer appears there and takes them from the train when it reaches there. They have a man waiting for that train when it gets there. There is no trouble about it. Those overhead charges must refer to something else besides the expense of handling those papers.

Mr. KOONS. No, Senator; you are discussing only the instances where the costs are the lowest. Of course, each class of mail has got to bear its proportion of the overhead charge. Nearly every farmer subscribes for a daily newspaper. That paper usually is delivered by rural carrier. There are also a great many copies delivered in cities by the letter carriers, and all of which is very expensive. The cost, except for transportation, would be practically the same whether the paper is sent either a short or long distance. Practically the only difference in cost between a paper addressed to San Francisco and one to Washington is the transportation charge.

Senator SMITH of South Carolina. How do you arrive at the proportioned per cent of the cost, the overhead charges? Do you take an average of the volume of the mail for the rural route, for instance, and charge that up to the overhead cost?

Senator McKELLAR. Just supplementing Senator Smith's question, this 3.86 cents is the average overhead charge of everything?

Mr. KOONS. Of all costs properly chargeable to second-class matter.

Senator McKELLAR. Including magazines and these pamphlets of the mail-order concerns and all those things?

Mr. KOONS. It is the overhead charge on second-class matter, the information for which was obtained in 1908 by the most careful investigation under authority of an act of Congress. The cost of handling all classes of mail, the distance transported, and everything; and those figures were later supplemented by additional information secured for the Hughes commission in 1912.

Senator SMITH of South Carolina. In other words, you get the percentage of the second-class mail in weight, and so forth, in relation to the total mail?

Mr. KOONS. Yes, sir.

Senator SMITH. And you take the total cost then and find the per cent that this bears to that?

Mr. KOONS. The total cost for second class. You will find in the hearings before the Hughes commission that this matter was gone into very fully. The statistics were furnished to that commission.

Senator STERLING. Has there been any separation of the two classes of second-class mail, newspapers and magazines, and an estimate made with reference to those two separately?

Senator McKELLAR. You mean with reference to the overhead charges?

Senator STERLING. Yes.

Mr. KOONS. Yes; that was done, Senator, at the time the Hughes commission was considering the subject. It will be found on page 144 of the department's report. They are as follows:

1 Subclasses.	2 Estimated weight. ¹	3 Estimated total expenses for 1908. ²	4 Per cent. ³	5 Estimated cost per pound. ⁴
	<i>Pounds.</i>			
Daily newspapers.....	272,461,251	\$18,851,909.29	31.91	6.91
Weekly and other than daily newspapers.....	122,111,090	12,942,166.49	21.91	10.59
Scientific periodicals.....	8,873,124	643,663.57	1.09	7.25
Educational periodicals.....	5,140,778	414,373.59	.70	8.06
Religious periodicals.....	41,407,913	4,711,225.27	7.98	11.37
Trade journal periodicals.....	33,520,692	2,168,906.95	3.67	6.47
Agricultural periodicals.....	35,281,232	3,364,620.10	5.70	9.73
Magazines.....	141,124,928	11,429,539.93	19.35	8.09
Miscellaneous periodicals.....	44,295,208	4,544,896.99	7.69	10.26
Total.....	704,216,208	59,071,302.18	100.00	8.39

¹ The total estimated weight of pound-rate matter in the fiscal year 1908 is divided according to the percentages derived from the weighings of July 1 to Dec. 31, 1906. (See Table Q, Exhibit 189, column 2.)

² The total expenses are those shown by the department's table submitted Sept. 13, 1911. (See Table P, Exhibit 188, column 10; Exhibit 201, p. 38.)

³ Table P, Exhibit 188, column 11.

⁴ Table Q, Exhibit 189, column 8.

Senator McKELLAR. What are those figures?

Mr. KOONS. I have, Senator, the estimated total expenses for the daily and weekly newspapers. The estimated total expense for the daily and weekly papers was 53 per cent of the entire expense at that time for handling all second-class matter.

Senator McKELLAR. Now, what was the entire expense at that time?

Mr. KOONS. At that time it was \$59,071,302.18.

Senator MCKELLAR. But what was it in percentages? You say it was 53 per cent that it costs more to handle papers than it did magazines?

Mr. KOONS. No. For dailies and weeklies the percentage of cost was 53 per cent.

Senator STERLING. Of the entire cost of second-class matter?

Mr. KOONS. Yes.

Senator MCKELLAR. And the other was 47 per cent?

Mr. KOONS. The other was 47 per cent.

Senator WATSON. What year was that?

Mr. KOONS. 1912, based on the count in 1908. There was a supplemental estimate which brought it down to 1912. The weight of the dailies and weeklies was 400,000,000 pounds, and the total weight carried of all was 704,000,000 pounds.

Senator MCKELLAR. Now, if you take into consideration this fact: Of course you know that the magazines—I am just using them as an illustration of other kinds of second-class matter—the magazines do not use the post office at all within practically the 300-mile zone. They use the express or the railroad. They use other means of transportation, so that when you fix overhead charges you are fixing the overhead charges on the newspapers that circulate within the zone of 300 miles, and you are including all this expense of the magazines that circulate in zones farther than 300 miles, because they do not use it. We all know that they are sent by other means, because they can be sent cheaper than 1 cent a pound.

Mr. KOONS. No. The statistics were kept separately for the newspapers, scientific periodicals, educational periodicals, religious periodicals, trade-journal periodicals, agricultural periodicals, magazines, and miscellaneous periodicals, and the cost determined for the several divisions.

Table submitted to the Hughes Commission by the Post Office Department Oct. 21, 1911, showing the revenue, expense, and profit or loss per pound and per piece of the several classes of mail.

1	2	3	4	5	6	7	8	9	10
Classes of mail.	Revenue per pound.	Expense per pound.	Profit per pound.	Loss per pound.	Pieces per pound.	Revenue per piece.	Expense per piece.	Profit per piece.	Loss per piece.
First.....	\$0.83026	\$0.56066	\$0.26960	.....	45.10	\$0.01841	\$0.01243	\$0.00598	.....
Second:									
Paid at pound rate.....	.01000	.08476	.....	\$0.07476	4.79	.00209	.01769	.....	\$0.01560
Free in county.....	.....	.06731	.....	.06731	6.45	.....	.01104	.....	.01104
Transient.....	.05636	.09498	.....	.03862	3.00	.01879	.03166	.....	.01267
To Canada ¹.....	.04878	.04865	.....	.00187	1.98	.02363	.02457	.....	.00094
Local delivery.....	.05242	.03495	.01747	.....	3.80	.01379	.00920	.00459	.....
All second class.....	.01130	.08333	.....	.07203	4.80	.00235	.01736	.....	.01501
Third.....	.14047	.15237	.....	.01190	9.58	.01466	.01590	.....	.00124
Fourth.....	.16492	.08158	.08334	.....	3.16	.05219	.02582	.02637	.....
Congressional free (franked).....	.....	.15664	.....	.15664	1.99	.....	.07871	.....	.07871
Departmental free (penalty).....	.....	.10450	.....	.10450	5.38	.....	.01942	.....	.01942
Foreign.....	.15879	.10929	.04950	.....	10.32	.01538	.01059	.00479	.....

¹ The expense per pound and per piece for this subclass represents the expense for transportation only

The findings of the Hughes Commission as to the cost of transportation and handling of second-class matter were as follows:

Summarizing our conclusions and responding to that portion of the joint resolution of March 4, 1911, which directed the commission "to make a finding of what the cost of transportation and handling different classes of such second-class matter is to the Government," we report—

First. That the evidence submitted does not justify a finding of the total cost of transporting and handling the different classes of second-class mail matter.

Second. That the evidence submitted is sufficient to warrant a finding of the approximate cost of the different classes of second-class mail, known as paid-at-the-pound-rate, free-in-county, and transient matter, exclusive of their shares, respectively, of the general post-office expenses and miscellaneous items not directly assignable; that is to say, the approximate cost of such mail matter for the services of transportation, post-office cars, railway distribution, rural delivery, and certain miscellaneous items directly assignable.

Third. That there is no evidence upon which a finding can be made as to the cost for the services above mentioned of other subdivisions of second-class mail; that is, of the different sorts of newspapers and periodicals.

Fourth. That in the fiscal year 1908, for which the department's statistics were compiled, the cost of the subclasses of second-class mail known as paid-at-the-pound-rate, free-in-county, and transient matter for the services of transportation, post-office cars, railway distributions, rural delivery, and certain miscellaneous items directly assignable was as follows: Paid-at-the-pound-rate matter, approximately 6 cents a pound; free-in-county matter, approximately, 5 cents a pound; transient matter, approximately 5 cents a pound.

Fifth. That upon the basis of the apportionment for the fiscal year 1908, as modified by subsequent reductions in the expense of railroad transportation, the cost of paid-at-the-pound-rate matter for the services above mentioned is approximately 5½ cents a pound.

That by the extension throughout the country of the method recently introduced of transporting certain periodicals by freight instead of the usual mail trains the cost of paid-at-the-pound-rate matter will be further reduced; that this saving can not be precisely estimated at this time, but it is possible that when it is fully effected, and if other conditions remain substantially unchanged, the cost of paid-at-the-pound-rate matter for the services above mentioned will be slightly in excess of 5 cents a pound.

Sixth. That there is no evidence that the cost either of free-in-county or of transient matter for the services above mentioned is substantially different from that found for the fiscal year 1908.

Seventh. That to obtain the total cost of transporting and handling the subclasses of second-class mail known as paid-at-pound-rate, free-in-county, and transient matter it would be necessary to add to the ascertained cost for the services above mentioned the shares of these subclasses, respectively, in the general post-office expenses and miscellaneous outlays not directly assignable, for the proper apportionment of which the commission is without adequate data.

Senator WATSON. What are you reading from there?

Mr. KOONS. From the findings of the Hughes Commission. The figures did not include the cost for distribution in the post office. You see that our estimated costs, 3.86 cents, compare very favorably with theirs. In fact, the cost is less now, because the volume of mail has increased, and naturally as the volume increases the costs of handling and overhead charges decrease.

The CHAIRMAN. Mr. Koons, I would like to get a little inside information on this. Now, I live 40 miles from Birmingham. We have two evening papers published in Birmingham that come to our town for distribution. Those papers never go to the post office in Birmingham. They are bundled in the office where they are printed and sent to the station, and when they get to my town the agent of the news companies meets them at the depot. They never go to the post office there. Now, it seems to me the charge you estimate there

on papers of that sort would be extreme. That same rule, as I understand it, applies all over Alabama. I do not know how it is in other States, but that is the way it is there.

Senator McKELLAR. It is exactly the same in my State and every other State.

The CHAIRMAN. You do not send those papers even by weight on the trains. You send them on the space basis, so I am compelled to think that your charges are too high.

Mr. KOONS. In the case you cite the papers no doubt are not even carried in the mails but sent by express. If sent by mail it would be a case where the cost is below the average.

The CHAIRMAN. That same condition prevails all over the southern country in other places.

Mr. KOONS. Yes; for a few bundles, but, Senator, there would be no papers delivered on rural routes and none to subscribers if all were handled as you suggest.

Now, let me cite this instance. A paper may be sent from New York City to Port Barrow, Alaska, at the rate of 1 cent per pound, and the last lap that it travels on a star route costs us \$6.84 a pound, yet that paper would be transported and delivered for 1 cent a pound. You must consider the average cost for all newspapers and not a few special cases. Of course there are instances, naturally, where the cost is below 3.86 cents, and a great many where it is double and three times that much.

Senator VARDAMAN. As a matter of fact, the paper that goes to the train at Birmingham for mailing to the Senator's home town, that paper is received at the depot by the postal clerks, is it not?

The CHAIRMAN. No; it is not.

Mr. KOONS. Then it sent by express.

Senator HARDWICK. Let me see if this isn't a fact, giving the instance that the Senator from Alabama cites with reference to these bundles of papers that are handled by newsboys, the newspapers in these towns, near the cities. That is true, but all these papers have a number of yearly subscribers and they have a number of country subscribers, and all that bulk goes through the post office.

Mr. KOONS. Yes.

The CHAIRMAN. Of course they have subscribers and those papers go through the Railway Mail Service.

Senator HARDWICK. And right into your town and in your county, all through it. I take, for instance, practically all the papers in Georgia, of course, and they come to me through the post office, because I am a yearly subscriber. I could take most of those papers in the town that I live in, which is only 50 miles from Macon, through the carrier if I wanted to and pay him by the week or month. Now, that expense is what this depends on.

Senator McKELLAR. I want to say to you very frankly that I think they ought to be made to bear the cost of carriage. There is no doubt in the world about the Government using an immense amount of money every year that it ought not to, but I think you are putting the burden where it ought not to be put. I think it ought to be on other users of second-class postal matter, but not on the newspapers that are virtually about 95 per cent, according to the proof here, circulated within a zone of 300 miles, and virtually pay their own.

way. Now, that is the only difference between us. I agree with you that they ought to be made to pay a very much greater share of the cost.

Mr. KOONS. If you ascertain the number of copies handled by the mail—that is, regular mail—delivered by the Post Office Department to the subscribers, you would find it generally a very large percentage of those transported by the mail. Now, there are a few instances just as you have cited that will fall below the average cost, but then you must consider the cost for handling and delivering the papers for subscribers living at a great distance. One gentleman testified that he had 2,200 subscribers in California. Now, the transportation on that alone costs 15 cents a pound.

Senator BECKHAM. I want to get back to the illustration that Senator Bankhead made, which is a common one throughout the country, where the city papers are sent out in bundles to the towns and villages within a certain radius. They are sent to the train by the newspaper, and probably taken from the train by the agent at the town. Do they come under the post-office service at all while they are on the train?

Mr. KOONS. Very few of them. A great many of them are sent in baggage cars and by express companies. Some few of them are sent by mail as "outside news-dealer bundles." In such cases they are delivered at the depot and our responsibility ceases there. Most of the subscribers' papers in near-by towns are not sent by mail, but by express.

Senator BECKHAM. Then it is possible that the illustration which he makes would not come within the calculation that you have made at all. That is to say, that the Post Office Department gets no receipts for such business there, and it is entirely outside of any operation of the Post Office Department and brings in no returns to it.

Mr. KOONS. That is true. All newspapers have free circulation within the county, and the Hughes Commission estimate 5 cents a pound without ever sending them out of the county as overhead charge on that. And that did not include any post-office charges. That is star route and other charges.

Senator McKELLAR. What do you include in overhead charges?

Mr. KOONS. We include every charge, Senator, from the salary of the Postmaster General down.

Senator McKELLAR. Everything?

Mr. KOONS. Yes, sir.

Senator McKELLAR. Over-seas service and every other kind of service?

Mr. KOONS. No, sir; only domestic charges.

Senator McKELLAR. Rural route service?

Mr. KOONS. Rural route service. It would necessarily include its share of the appropriations for the department for postmasters, for rental of buildings, salaries of clerks, carriers, rural carriers, etc. Each class of mail should bear its pro rata share of all these charges.

Senator SMITH of South Carolina. Mr. Koons, have you got a table showing what per cent of the newspapers circulate within the 300-mile zone of publication?

Mr. KOONS. My information, Senator, of the smaller newspapers, is that it is about 95 per cent.

Senator SMITH. You haven't got the general average?

Mr. KOONS. No, sir; we have not. The average haul for the whole country is about 225 miles, but you must remember the zone distance relates to air-line distance and is much less than the actual haul.

Senator SMITH. Have you any tables showing what would be the cost of transportation of that percentage, whatever it is, within that zone, restricted to that zone? Now, you have got 3.86 cents here for the overhead charges and 1.58 cents for the railroad transportation, making a total of 5.44, but that applies to your Alaskan illustration and to the country in general.

Mr. KOONS. That applies, Senator, only to the 300-mile zone. Your overhead charges are practically the same, but cost of transportation changes as your distance increases.

Senator McKELLAR. Now, Mr. Koons, how do you apportion these overhead charges in regard to first-class mail? It is according to weight, or how? In other words, you put 3.86 cents on newspaper mail—second-class mail. Do you fix the same proportion for letter mail?

Mr. KOONS. Senator, that was ascertained in a most careful manner at the time the record was kept by the department. It was based on the space required to handle the mail and all costs of handling.

Senator McKELLAR. If you figured it on that basis and included letter mail—first-class mail—wouldn't that be giving an undue advantage to letter postage? In other words, as we all know, letter postage is a great revenue maker to the Government, and because of the lightness of the matter carried, if you figure the same overhead charges for it, I can readily understand why we make so much money out of first-class mail and lose so much money on second-class mail.

Mr. KOONS. The costs of handling, Senator, would be much higher on first-class mail than on second-class.

Senator McKELLAR. That is just what I want to get at. What is that? Did you put them all on the same basis, or have you got any figure for first-class mail?

Mr. KOONS. You will find it all set out in this report. I did not have copies enough, or I would have brought them up for your use.

Senator McKELLAR. You have given us 3.86 cents as the overhead charge on second-class mail. Now, what are the overhead charges on first-class mail? The second-class mail is virtually a subsidiary proposition to the original object and purpose of the Post Office Department.

Mr. KOONS. On first-class mail the revenue per pound is 84 cents. Of course that is 84 times as great as it is on second-class matter. And the expense per pound is 56 cents.

Senator McKELLAR. Now, let me see if I understand that. The expense per pound on second-class matter is 3.86 cents, and on first-class matter it is 56 cents?

Mr. KOONS. Senator, the 3.86 cents does not include the transportation.

Senator McKELLAR. Well, including transportation, what is it?

Mr. KOONS. On all second-class matter it would be 8 cents—8.274 cents—while on first class it is 56 cents. That is due to the difference in size—you see first-class mail only weighs an ounce or less to the piece, and there are 45 handlings to the pound in the distribution.

Senator McKELLAR. Now, in the handling of first-class mail, that is handled a dozen times where second-class mail is only handled once, isn't it?

Mr. KOONS. No, Senator, except in case of the "outside newsdealer bundles."

Senator McKELLAR. I should think it would be more than that. Then you have got the registry system and you have got various other elements that come in.

Mr. KOONS. Well, that is all included in this handling cost. But first-class mail has a great many advantages in handling also; a lot of it is made up by the senders, and all we have to do is to run it through a canceling machine and tie it up. In that case a great deal of work is done by the sender, just the same as in the case of the newspapers.

Senator McKELLAR. Now, take it here in Washington—here we have an immense marble post office down here—which is very fine, and I am very glad it is here—for handling of what? For newspapers? I suppose there is not 10 per cent of the newspapers that go out of Washington that are handled through that post office or ever see that post office. They are sent direct to the train. There is no care of them by the Post Office Department, and the expense of that post office is not properly chargeable to the newspapers—I am talking about the newspaper branch of it—and it seems to me that putting this general overhead charge of 3.86 cents, charging them up with the cost of the post-office buildings that are not used for the newspapers at all hardly, is putting an expense where it ought not to be put.

Mr. KOONS. Practically all incoming newspapers handled by mail come through the post office.

Senator McKELLAR. Of course, the weeklies, there are some that go in there. I imagine about 10 per cent pass through the post office.

Mr. KOONS. And a portion of your daily newspapers.

Senator McKELLAR. About 10 per cent, I imagine; maybe 15 per cent.

Mr. KOONS. Of the incoming, practically all of them come into the post office, and they should bear their proportion of cost.

Senator McKELLAR. No; you will find that these newsboys, these newsmen that handle most of the newspapers coming in here from New York, for instance, have a man at the station who takes them right up as soon as the train gets here.

Mr. KOONS. Senator, are you sure that they come by mail? Isn't it possible that they come by express?

Senator McKELLAR. Well, I don't know.

Mr. KOONS. I am positive they do not. Mr. McAneny might tell you about that. Do you know, Mr. McAneny, whether your newspaper bundles come by mail or express?

Mr. McANENY. I think they come almost wholly by express, but I can not answer that exactly.

Mr. KOONS. I know a few years ago they did.

Mr. STEPHEN FARRELY. Mr. Chairman, I represent the American News Co., the largest shipper in the country to news dealers of dailies and periodicals. These packages, as stated, are sent to the train and delivered there either by freight or express, and the dealer invariably calls for them and they are not handled by the Post Office Department to any extent whatever, even to the trains.

Mr. McANENY. I think the question related more particularly to delivery in Washington, whether it was by mail or express. I am not exactly familiar with the facts, but I think the bulk of it is by express—possibly all except those that come in individual wrappers.

Mr. FARRELLY. Eighty per cent of our business is done outside of the mail; shipped in some other way.

Mr. McANENY. Mr. Koons asks what per cent of our papers, by way of instance, are sent by mail outside the town. Out of a circulation of 350,000 I think about 70,000 or 75,000 are put into the mails—about 20 per cent—and out of the 70,000 or 75,000 perhaps 60 per cent is delivered in the dealers' packages, which are taken by us and put on the train and taken from the train by the dealers themselves. Perhaps 30,000 remain that are sent in individual wrappers through the usual course of the mail.

Mr. FARRELLY. We are the largest shippers in this country of both daily papers and magazines, and for 75 or 80 per cent of it the freight or express is cheaper than mail rates, and consequently they are utilized rather than sending them by mail. They come to Washington by express and to Baltimore and other points. We do not use the mails to send them here. They are sent to Memphis and Nashville and other points and distribution is conducted from there in the same manner. Take it from Chicago, for instance, the daily papers are delivered at the station, and if they are to go to distant points they go by mail and there they are met by the dealer who takes away his package and the Government is only subjected to the mere transportation cost from one point to the other, without any overhead charges for handling whatever. That applies not only to daily papers but to nearly all the leading periodicals.

I make this explanation because—and I think Mr. Koons will bear me out in the statement—the Government charges are far beyond that of outside transportation rates to the extent, I say, that of the millions of publications sent out every month 80 per cent is sent out by express.

Mr. KOONS. Yes; but the Government performs a service that no other transportation agency will perform and only gets the business where the handling costs are so great that neither the express or freight can handle them, besides they do not have the facilities to handle them. How many of yours are sent by express?

Mr. FARRELLY. I suppose 20 per cent by mail, perhaps another 20 per cent by express, and the remainder by freight. We can ship from here to California, to the Pacific coast, for 3 cents a pound, while the Government charge is 8 cents. We can ship in carloads from here to Denver—which we do—and we can ship to all points by carload lots, because we ship 20,000 pounds to the car. As Mr. Koons stated, the Government can not even put 12,000 pounds in a car. This car contains nothing but second-class matter, mostly magazines. So the Government estimates as to the cost of handling magazines is purely an estimate. As one Postmaster General has said, it is only an estimate. You can not get exact figures. Charles Emery Smith, when he was Postmaster General, had this question brought up to him, and it has been followed up for the last 30 years, and every postal committee of the House and Senate have admitted that it is only an estimate and is not based on actual figures.

The CHAIRMAN. I want to suggest that you had better let Mr. Koons finish his statement, and then you can make yours.

Senator SMITH of South Carolina. Now, Mr. Koons, the object that Senator McKellar is seeking to obtain is what proportion of the daily papers, the newspapers, go through the mail? That is not the point that seems to me to be germane to this question at all, because if but one newspaper went in your second-class package, it would have to bear, pound for pound, the same cost that the balance of your second-class mail would bear. So that if there wasn't but 1 per cent of the total second class, it would bear the same cost per pound that the balance of the second class would bear. It would make no difference what the per cent of the second class was. The thing that is interesting this committee is how the second-class mail costs 5.44 cents a pound within 300 miles. Now, if those figures are accurate, there is no use for us to argue what per cent of it is newspapers, because, I take it that in the second class, it will cost about as much to carry newspapers as it will an advertising pamphlet or a patent-medicine advertisement or anything else. It is the handling of that class of mail known as second class. Now, the thing that interests me here is this 5.44 cents within the first zone. I have figured out here that that is at the rate of \$5.45 a hundred pounds or \$108.80 a ton.

Mr. KOONS. I beg pardon, Senator, you have the total cost figured in with the transportation.

Senator McKELLAR. Here is the way to test it. You say that the handling in the first 50 miles of newspapers, the transportation is 0.25 cent, and the overhead charge is 3.86 cents. That is a total of 4.11 cents.

Mr. KOONS. Yes, sir.

Senator McKELLAR. Don't you know that it would be absolutely impossible for any newspaper to transport its papers through the mails within a zone of 50 miles at 4.11 cents a pound? They could not do it.

Mr. KOONS. There is no question about that, unless they had many years to readjust their business, and this law does not provide for that.

Senator McKELLAR. I know it does not provide for it, but I am just showing that your overhead charges are obliged to be a mistake, because you could have no such proposition, because no newspaper could pay that price. And besides that, they could distribute by express for certainly not more than 50 cents a hundred within that zone of 50 miles. So that it is manifestly unfair from your own figures. Just take on your own experience, it is manifestly unfair to put an overhead charge of 3.86 cents in the first zone of 50 miles. It is absolutely impossible.

Mr. KOONS. They could not secure the service performed by them by the post office by the express at any price.

Senator VARDAMAN. Senator McKellar, I want to get the truth about this matter. Now, won't you indicate to Mr. Koons where his figures are incorrect, and what are the items that he has calculated in there that ought not to be there?

Senator McKELLAR. He takes the eighth zone, and he finds out the total expense per pound, the overhead charges per pound of every kind, nature, and description connected with the Post Office Department for all zones, carrying papers to California and to Alaska, and

New Mexico and the Philippine Islands. He takes the whole thing and strikes the average that all of it costs \$3.86 a hundred, and then he says, "now we will just apply that to the carriage of it in the first 50 miles."

Senator VARDAMAN. Now, how would you fix it?

Senator McKELLAR. Estimate the actual cost of carrying newspapers within the zone of 50 miles.

Senator VARDAMAN. How would you do that?

Senator McKELLAR. It could be easily figured out by the actual expense of these gentlemen who have given a life study to that thing.

Senator VARDAMAN. I wish Mr. Koons would take that point and work it out.

Senator McKELLAR. In other words, if those figures were correct, if it actually costs that much to transport the papers—

Senator VARDAMAN (interposing). The taxpayers would have to pay it, as they are paying it now.

Senator McKELLAR. The newspapers could not do it.

Senator VARDAMAN. No; nobody is asking them to do it.

Senator McKELLAR. It costs more than the papers themselves.

Senator VARDAMAN. It is being paid by somebody. There is no doubt about the total amount of money being spent by the Post Office Department.

Senator McKELLAR. Of course it is being paid by somebody, and it ought to be charged up to the right person, but it ought not to be charged up to those persons where the papers circulate within a zone of 50 miles or 150 miles or 300 miles. Why? Because the flat rate of 1 cent a pound will take care of all those charges, and manifestly if the cost of carriage, of transportation, is 25 cents a hundred pounds, it would be unfair to charge up against that paper circulating within a zone of 50 miles—it would be manifestly unfair to charge up the expense of sending papers to Alaska, in the general average.

Mr. KOONS. Senator, the handling costs are the same whether handled in the 50-mile zone or sent to California.

The CHAIRMAN. Mr. Koons, I do not know whether I quite understood you a while ago or not, when you stated what you included in overhead charges. What do you include?

Mr. KOONS. We include the proportionate charge of every expense connected with the Postal Service in handling these papers. Now, if you will permit me to answer—

The CHAIRMAN (interposing). Now, wait a minute. I want to see if I understood you. I understood you to say that in making up the estimated cost you included the salaries of post-office employees.

Mr. KOONS. Yes, sir; those that handle papers and to the extent they handle them.

The CHAIRMAN. From the Postmaster General down. Now, do you include anything for Government buildings?

Mr. KOONS. No, sir; nothing is included for them.

The CHAIRMAN. Do you include interest on Government buildings?

Mr. KOONS. No, sir.

The CHAIRMAN. You just include the salaries of all post-office employees?

Mr. KOONS. The appropriations made for the maintenance of the Post Office Department and the Postal Service.

Senator McKELLAR. But you include all salaries for all postal employees?

Mr. KOONS. That come in contact with handling this class of mail. Now, if you will let me explain, Senator, a great many of the packages, that you have in mind, we never handle at all. They go, as stated, by express. Now, you take a radius of 50 miles around Washington that may take in, possibly, 200 rural routes. We have got to distribute papers over all those rural routes. We have got to distribute them to individual subscribers who get their papers by mail, not from the newsdealer. Those are things that add to the overhead charge. Now, the only difference between the cost of handling a paper within the 50-mile zone and within the eighth zone is your transportation cost, because the same clerical force handles it. The delivery cost would be the same in either 50 miles or within the eighth zone. Now, the only difference is your transportation cost and possibly screen-wagon service at some point. Now, that makes up the difference in cost. If we handled all the papers that you suggest—that is, by taking them to the depot and putting them on the train, and then the news dealer getting them at the depot when the train arrives, there is no question but what the overhead charge would not amount to anything more than 3.86 cents.

Senator McKELLAR. I have no doubt that anybody would contract to deliver all the papers to be delivered within a zone of 50 miles at 50 cents the 100, and would make money on the proposition. And you can make money on a proposition of delivering at half a cent a pound. Your post-office people can do it.

Mr. KOONS. On the rural routes?

Senator McKELLAR. Take it all, within that zone.

Mr. KOONS. No; we can not do it. Neither can the newspapers do it even in the cities of publication. The publishers themselves allow 60 cents per hundred for delivery, which is approximately 2 cents a pound for delivery alone.

Senator McKELLAR. If these overhead charges are not more than equal to the transportation anywhere.

Mr. KOONS. No, sir; they exceed the transportation charge except on the short haul.

Senator McKELLAR. Then, you have got a bad system. There isn't any doubt about that.

Mr. KOONS. Let me mention this, Senator, about the handling costs and overhead charges. Newspapers will not average over four to a pound. That means four distributions for every pound and also four deliveries, which adds greatly to the cost.

The publishers can not handle their papers as cheaply themselves as our estimated cost of handling and overhead charge, even though they employ boys or other persons at much less expense than we pay our rural and city carriers. The subscription rates of the Nashville Banner, one of the papers represented here, are as follows:

Subscription rates, daily and Sunday.

By carrier in Nashville and surrounding towns, and by mail outside of Tennessee, northern Alabama, and southern Kentucky:

1 month	\$0.65
3 months	1.95
6 months	3.75
1 year	7.50

By mail on rural routes in Tennessee and in towns in this State where the Banner has no delivery agents:

1 month	-----	\$0. 45
3 months	-----	1. 35
6 months	-----	2. 60
1 year	-----	5. 00

It will be observed that where delivery is made by the publisher, he charges \$2.50 more per annum than where it is made by mail. This additional charge of \$2.50, of course, covers the delivery cost only to the publisher. Based on the weight of the publication, this would be an average cost of approximately 3 cents a pound for delivery service only, which the publisher charges the subscriber. These subscription rates also demonstrate that it is possible to charge two rates for subscriptions, or, in other words, to zone the rates as it will be observed that within a certain zone the subscription price is \$5 per annum, and in a more distinct zone it is \$7.50 per annum.

Senator STERLING. Just this question, Mr. Koons, in that connection. You say the salaries of postmasters and post-office employees are included in your overhead charges, and you have here 3.86 cents per pound for the first zone, for second-class matter. Now, does the element of time enter in there so that you have apportioned the time used by a post-office employee in the distribution or in the handling of second-class matter and in first-class matter?

Mr. KOONS. Yes, sir; it is apportioned to each class. The statistics were made up on the basis of the time used and the salaries paid.

Senator STERLING. On the basis of time and salaries, so that if, for example, a salary of \$1,000 is paid to a post-office employee you say that he has spent so much of his time in earning that thousand dollars in the handling and distribution of second-class matter?

Mr. KOONS. Yes, sir.

Senator STERLING. And so much time in handling first-class matter?

Mr. KOONS. Well, in the larger offices there are a number of clerks who are usually engaged exclusively on second-class matter. Of course, in the smaller offices we have to apportion the time. Knowing the delivery charges, we have got to apportion the number of pieces the carrier delivers; and second class in proportion.

Senator STERLING. Isn't that a pretty difficult thing to do?

Mr. KOONS. It was very difficult, Senator, and it cost the Government about \$250,000 to collect that information. The Congress made an appropriation for that specific purpose, and it required a year or two to make up the statistics.

Now your transportation costs can be ascertained exactly; that is, the average transportation. Of course, some of the other costs and overhead charges must be prorated. There is no question about that. The Hughes Commission recognized that. These estimates were prepared by Mr. Joseph Stewart, former Second Assistant Postmaster General. They are believed to be very conservative.

Senator WATSON. Now let me ask you a few general questions. You do not believe that the newspapers pay their proportionate share of the cost of transportation—of transportation overhead charges?

Mr. KOONS. No, sir.

Senator WATSON. Do you believe they can, under existing circumstances, pay that proportionate charge?

Mr. KOONS. No, sir; not the entire cost of transportation and handling.

Senator WATSON. What, then, is your plan, if you have any, for the solution of this problem?

Mr. KOONS. A graduated plan of increased postage rates covering a period of years. That question was discussed with the committee, and that is the reason that the increase during the next year is so slight. The publishers claim—and I think justly so—that they could not stand a heavy increase in the rates at one time; and for that reason four years was allowed in which to readjust their business to meet the rates provided in the revenue bill. The first year the increase will be very slight. It will only amount to \$4,000,000, approximately. Then the next year it will be \$4,900,000 more, and so on for the third and fourth year and thereafter. Now, that would give them an opportunity to readjust their business. Even when the maximum rates are reached, second-class matter, at the most conservative estimate, will still be handled at a loss of more than \$50,000,000 a year to the Government.

Senator STERLING. That includes all second-class matter?

Mr. KOONS. All second-class matter; yes, sir.

Senator BECKHAM. What is the total loss now?

Mr. KOONS. \$72,000,000.

Senator WATSON. Don't you think that because of the conflicting testimony here, because of the many very radically different interests involved, because of the constantly increasing price of paper, because of the constantly increasing wages paid to all employees connected with newspapers and magazines, that it would be the wise thing to postpone action on the operation of this law—the beginning of its operation—for one more year?

Mr. KOONS. No, sir; current expenses must be met. That, Senator, would apply with equal force to the Government. It is a question how the money is to be raised by taxes or bonds to meet the costs of the war whether this class of mail should pay an increased rate. Now, all of the reasons that you would give for postponing—except the cost of paper—would apply to first-class matter. The rates have been increased on letters 50 per cent and on postal cards 100 per cent. That went into effect in November without a protest from the public, yet the publishers, who have so long enjoyed a subsidy, object to even a slight increase.

Senator WATSON. Yes; but on account of the increasing demands for wages and the increasing cost of labor in all fields of activity, including transportation and all post-office employees—that enters into this, because we are about to increase the salaries of all the postal employees at least 15 per cent—possibly more—and after the war, when the readjustment comes, there may be a settling back of those wages, together with wages generally and other expenses having to do with the production of newspapers and magazines, together with the cost of print paper; then, couldn't the thing be worked out on a basis far more equitable than it could now under these extreme conditions?

Mr. KOONS. Senator, we must now provide for all the expenses you mention. I intended to bring that up a little later. If the increase in compensation of postal employees is 15 per cent, it will involve an increased expenditure for the Postal Service next year of \$33,000,000. This increase has been urged in a most positive manner

by the press throughout the country. Now, if the salaries are increased \$33,000,000, as one-fourth of the cost of the Postal Service is chargeable to second-class matter, one-fourth of the expense should be borne by second-class matter. Now, if this class of matter is to bear any of that expense—

Senator WATSON (interposing). That would be one-fourth of \$33,000,000?

Mr. KOONS. Yes; and it will add more than \$8,000,000 to the cost of handling second-class matter, and is an increased cost which the publishers strongly urged but are the first to object to paying their share. They will pay next year but a small fraction of the increase. If it is not paid by the publishers it must be paid by the public through increased taxes, notwithstanding the fact that the publishers will enjoy a subsidy of approximately \$72,000,000 annually.

Senator WATSON. That is, including newspapers and magazines?

Mr. KOONS. Yes. Newspapers are about half of it.

Senator SMITH of South Carolina. What is the total net profit in the handling of our post-office matters?

Mr. KOONS. The revenues exceeded the expenditures last year by about \$9,000,000.

Senator SMITH. Now, this increased wage to the employees you say will be about \$33,000,000?

Mr. KOONS. The bill as reported out by the Committee involves about \$33,000,000.

Senator SMITH. Has your last estimate been under this increase?

Mr. KOONS. No, sir.

Senator SMITH. I mean has your last estimate been based after the operation of the 3-cent postage, as against 2 cents on first-class matter?

Mr. KOONS. Well, I do not know whether I understand just what you mean, Senator.

Senator SMITH. Oh, I had forgotten for the moment that 1 cent goes to the Federal Treasury and does not go into the Post Office Department at all.

Mr. KOONS. Yes, we are receiving about \$5,000,000 a month from this source but it is immediately turned over to the Treasury as a war tax. But the Post Office Department would receive the increased postage on second-class matter.

Senator SMITH. But it does not on first class.

Mr. KOONS. No, sir; it receives no benefit from that.

Mr. McANENY. Might I ask a question that is pertinent to that phase, Mr. Chairman?

The CHAIRMAN. Yes.

Mr. McANENY. Mr. Koons speaks of the estimated increase of next year as \$4,900,000 on all classes of second-class matter. We discussed yesterday the fact that there is a difference, of course, between the estimated yield of the magazines and that of the newspapers. I wonder whether he can give us roughly the estimated increase that would be charged to the newspapers alone. In other words, what these rates will yield over the present figures, in the case of newspapers?

Mr. KOONS. It would be approximately \$2,000,000 from the newspapers, and the balance from the magazines.

Mr. McANENY. So, to return to the Senator's question, in the case of the newspapers, with an extremely slight increase, as expenditures and revenues now go, would we not be disturbing the entire relation of the Government to the publishers and the publishers to their subscribers for an extremely slight consideration? In the case of the first-class matter which you cite, Mr. Koons, there is a simple method, of course, provided. You merely added 1 cent to 2, and collected it very readily through established lines now, economically; but in the case of second-class matter is there not this added element of the establishment of a complete and radically new system, which will have to be adjusted to business at a time when there is great confusion in our affairs generally? Is that worth, in short, the increase of \$2,000,000 that this would yield in a year?

Mr. KOONS. This is but the start. It would yield the second year \$9,000,000, and the third year \$13,000,000.

Mr. McANENY. That is for all classes?

Mr. KOONS. Yes, sir; and the fourth year \$14,000,000. Now the question arises, in connection with that, is the department or this committee, because a very small increase is provided for the first year in order to enable the publishers to readjust their business and meet it, to ask the Congress to repeal the law?

Mr. McANENY. Well, I understand that the Senator's question had more direct relation to the question of postponement. All that would be involved in a postponement of a year would be this reduction of \$2,000,000 in the case of newspapers in the estimate of added revenue. That \$2,000,000 of course would be cut, in turn, by the added mechanical and clerical cost of putting this system into operation, which we who will have to deal with it in the offices estimate will be a very considerable item. And also the loss due to the shrinkage of circulation. The saving there would be on transportation alone and not on overhead charges to any considerable degree.

Mr. KOONS. Well, the increase in the first and second zones and third zone, in fact for all zones, would be so slight the first year, even if the subscriber paid for all of it, that you would have to increase the subscription price very little.

Senator SMITH of South Carolina. Mr. Koons, I do not know as I caught your answer a while ago. I asked you what was the relation of the volume of the newspapers to the total volume of second class matter.

Mr. KOONS. About 52 per cent.

Senator SMITH. Just about 50-50?

Mr. KOONS. Yes, sir. Last year we handled 70,719,202 pounds for which we received no compensation at all. That is free-in-the-county matter. Now, for some of the smaller publications—weeklies and some of the smaller ones—I understand that the free-in-the-county amounts to practically 75 per cent of the entire circulation. This relation will not be disturbed, so in case of the smaller publications 75 per cent of their total volume will not be disturbed, and there will be an increase of only a quarter of a cent a pound for the first two zones, which includes practically the greater part of their circulation. I am also informed that most of the papers, except those in the large cities—that 95 per cent of the circulation is within the first three zones, so that the increased burden will be but slight.

Mr. McANENY. It is not the increased burden, though, Mr. Koons; it is the vastly increased disturbance of the existing system that we count as most serious.

Mr. KOONS. There is no need of increased disturbances. I want to read a telegram received by the department when this matter was under consideration in July last year. This is addressed to the Postmaster General:

ALMA, KANS., July 16, 1917.

Postmaster General A. S. BURLESON,
Washington, D. C.:

At special meeting of executive committee of Kansas Editorial Association, at Topeka to-day, this resolution was unanimously adopted:

"The executive committee of Kansas Editorial Association, representing 625 daily and weekly papers of Kansas, unanimously favor and strongly urge the adoption of graduated zone system for second-class postage as being just and equitable. We favor rate of 1 cent for first zone and one-half cent for each additional zone. We are opposed to the proposed tax on advertising receipts, either gross or net, as being unjust, discriminatory, and a penalty on the publishing business that it does not deserve."

KANSAS EDITORIAL ASSOCIATION.
HERBERT CAVANES, *President*.
O. W. LITTLE, *Secretary*.

Similar telegrams have been received from other State newspaper associations, the following having been received prior to the printing of these hearings:

COLUMBIA, Mo.

Postmaster General BURLESON,
Washington, D. C.

Whereas there is a concerted move on the part of certain national advertising periodicals to persuade Congress to rescind what is known as the zone system of second-class postage effective July 1;

Whereas the Missouri Press Association representing 325 publishers in the State of Missouri believe that said zone law does not impose unfair postage rates and that it will in no sense hamper the dissemination of news and intelligence in our Nation; Be it

Resolved, That the Missouri Press Association hereby demands that each Senator and Member of Congress stands firm in opposition to the proposed repeal of the zone system of second-class postage.

J. P. TUCKER, *President*.
LEWIS LAMKIN, *Secretary*.

Now there is the Editors Association of Kansas that are advocating a cent for the first zone, a cent and a half for the second, two cents for the third, and so on.

Senator SMITH. Regardless of whether it is advertising or reading matter?

Mr. KOONS. Yes. Which is far greater than any increase in the present bill.

Mr. McANENY. Mr. Koons, is it not true that 100 per cent of the papers carried for those who are in this association would be carried either under free-in-county or under the first-zone postage rate?

Mr. KOONS. What per cent?

Mr. McANENY. I say, that pretty nearly 100 per cent of the papers carried for the members of an association of that character would come either under the free-in-county system, or under the first zone, and that therefore their interest in the question we are actually discussing would be accordingly light?

Mr. KOONS. Well, if that is true—

Mr. McANENY (interposing). I mean their material interests.

Mr. KOONS. If that is true in the State of Kansas, then of course a large proportion of the second-class matter is made up and hauled just that way. What would be true of Kansas would be true of any other State.

Mr. McANENY. It would be true of any State association which is made up not only of local dailies but of the weekly papers as well. Of the 625 I should assume that the great majority are weekly papers.

Senator VARDAMAN. You state that that would be true of the other States?

Mr. KOONS. Of the class of publications—

Senator VARDAMAN. Except in the States where the great metropolitan papers are published, whose circulation extends over the entire Republic.

Mr. KOONS. Yes, sir. Last year 60,000,000 pounds out of 1,200,000,000 pounds was handled free of charge. In other words, performed at an average cost of 5 cents a pound, we performed over \$3,000,000 worth of free service for which we received nothing at all.

Senator SMITH. Mr. Koons, did the Post Office Department—is the post office administration in favor of putting the magazines and other second-class matter in the same category of public service as newspapers?

Mr. KOONS. Why, Senator, there is no reason why any distinction should be made; the zone system automatically does that. If the rates of postage were flat rates, then there should be a distinction, possibly; but the zone rates automatically place the newspapers practically in a different class, because they are circulated within a short radial distance not greater than the first three zones, practically 95 per cent of them, while the average haul of the magazine is much greater. For instance, the average haul of the newspapers is approximately 200 miles, while for magazines it is over 1,000 miles. So that the zone rate, with the low rate for the near-by zones, automatically places the newspapers—

Senator SMITH (interposing). More advantageously than the magazines.

Mr. KOONS. Yes. Of course, magazines are sent at the same rate when addressed to the same zone, but you see the rates in this bill are very favorable to the near-by zones, and therefore they are very favorable to the newspapers. The Hughes commission, touching on that question, did not think that there should be any separation of the two classes of mail. In their finding they stated that the newspapers should not be separated from the magazines. I will read that to you. The commission stated:

These figures are the only basis we have for judgment as to the comparative cost of transporting and handling the different kinds of publications above mentioned, and it is evident that they furnish no sufficient foundation for a discrimination in rates between newspapers and periodicals, certainly not for a higher rate on magazines, for example, than on weekly newspapers.

We conclude, therefore, that whatever increase be made should apply alike to newspapers and periodicals admitted to the second class, and that it is impracticable in the case of newspapers to charge a higher rate for space given to advertisements. It has been suggested that the proportion of this space should be limited for all second-class matter, but the true definition of such matter is that which is devoted primarily to the dissemination of news and of current literature and instruction.

The CHAIRMAN. Mr. Koons, have you any idea or can you give us any information as to the percentage of magazines shipped by express and fast freight that never reach the mails at all?

Mr. KOONS. It is a very large percentage of them. I can give it to you for different publications. I think that possibly it was inserted in the record last year. Now, I can illustrate that by one of the news companies. This company gave us 17 per cent of their shipments at a cent-a-pound rate, and none of it was east of Denver. That was an organization in New York City. They made that statement a few years ago. Now, it cost us 10 cents a pound transportation, practically, on every pound that they gave us and we got a cent a pound.

The CHAIRMAN. Well, then, if all second-class matter—magazines—should go by mail, it would swamp you, wouldn't it?

Mr. KOONS. It would not swamp us, but it would make the amount of the subsidy a great deal greater. We are very willing to have it transported by other means.

The CHAIRMAN. I can't understand how second-class matter—magazine matter—is costing the Government so much when only 10 per cent of it goes by mail.

Mr. KOONS. It is the long haul which makes the transportation cost so much.

Senator VARDAMAN. Mr. Koons, the second-class matter that does not go through the mails does not pay the expenses.

Mr. KOONS. We have no connection with that at all.

Senator VARDAMAN. The Government gets nothing from it?

Mr. KOONS. No; that is not considered in any of our figures. But the transportation, Senator, would make a great difference in the cost of the mails.

The CHAIRMAN. The thing that bothers me—I am rather thick headed, anyhow—but I can not understand how it is that second-class matter is costing the Government \$75,000,000 or \$80,000,000 in excess of the revenue derived from it when only 10 per cent of it goes through the mails.

Mr. KOONS. No; I said only 17 per cent, Senator, of the quantity shipped by one company.

The CHAIRMAN. I am assuming that the shipment of magazines generally goes either by express or fast freight; that it doesn't go through the mails.

Mr. KOONS. In some cases, practically all of them, go by mail. While in others not more than 50 per cent.

Senator SMITH of South Carolina. The chairman means that what we do carry costs \$75,000,000, and if we carried it all, it would take the Treasury of the United States.

The CHAIRMAN. That is what I am getting at. Can any of you gentlemen over there tell us about what percentage of the shipment you make goes through the mails, and what per cent by fast freight and express?

Mr. FARRELLY. About 20 per cent go by mail. The others go by other methods.

Mr. KOONS. And wherever the transportation is cheaper than by mail, it goes the other way.

Senator WATSON. That is to say, where the transportation is cheaper by express they go by express, and then you get the long haul because it is cheaper by mail.

Mr. FARRELLY. Mr. Chairman, the transportation companies are always bidding for the transportation of second-class matter, because they can do it cheaper than it can be done by mail.

Senator VARDAMAN. Why don't they use the transportation companies to transmit it?

The CHAIRMAN. They do, 80 per cent of it.

Mr. FARRELLY. Eighty per cent of the mail goes that way. About 20 per cent goes by mail, which reaches the small towns in Virginia or Tennessee where they can not use express with any economy. If it weighs 5 pounds the mail will carry it there for 5 cents, second class. The minimum charge by express is usually 25 cents. There is a large amount of that short haul. Now, there is a great mistake about the long haul of second-class matter, dailies as well as monthlies—monthlies particularly, because they get the short haul that follows. They carry them from here to Denver or Los Angeles at 1 cent a pound, but they get the rebate from that by the short haul from Denver to those points all around that section of the country. The same is true in San Francisco. If we ship by mail it costs 1 cent a pound. We can ship for \$2.80—that is the exact fare in carload lots—and when it goes by mail it is reshipped from there to San Diego and Sacramento and other short hauls from which the Government can not fail to make a profit. So that there is a mistake in calculating the cost of doing that business.

Mr. KOONS. What is the minimum charge by express?

Mr. FARRELLY. Well, it is based on the minimum charge of 25 cents a package.

Mr. KOONS. They don't accept any package for less than 25 cents?

Mr. FARRELLY. No.

Mr. KOONS. That brings out one point that I intended to bring out later. The express company will not accept any package at less than a minimum charge of 25 cents. We will accept it as low as one-sixteenth of a cent if it only weighs 1 ounce. With a minimum charge of 25 cents we could make our rates much lower than the express.

The CHAIRMAN. I understand that.

Mr. KOONS. And for that reason our expenses naturally are much greater. We get the undesirable hauls and the other people get the desirable ones, and at a minimum charge of 25 cents.

Mr. FARRELLY. I have on my desk a second-class publication which weighs 12 to the pound.

Mr. KOONS. We carry those to 12 different addresses and 12 different States in the Union all for 1 cent.

The CHAIRMAN. Don't you send a great deal of your stuff by fast freight?

Mr. FARRELLY. We send a vast amount by fast freight at less than a cent a pound, naturally. When we send it out by fast freight to the Pacific coast they make a profit on the short hauls emanating from San Francisco and other points. We have a distributing house in Los Angeles, one in San Francisco, one in San Diego, one in Seattle, and one in Portland. We send them to those points and they in turn ship on the short hauls near by, through the mail usually.

That is the reason the mail can not help but make money on the short hauls.

The CHAIRMAN. What do you pay by express from New York to Washington?

Mr. FARRELLY. I think it is about 40 cents.

The CHAIRMAN. Now, according to the estimate here, what would it cost you to send that same freight here by mail?

Mr. FARRELLY. We do not use the mail to Washington.

The CHAIRMAN. I know you do not; but if you did?

Mr. FARRELLY. It would cost \$1.

The CHAIRMAN. It would cost you more than that, wouldn't it?

Mr. FARRELLY. Under the new regulations it would cost more, but at the present time it would cost \$1.

The CHAIRMAN. By mail?

Mr. FARRELLY. By mail. That means less than half that by express.

The CHAIRMAN. What are the nearest points to which you send by mail?

Mr. FARRELLY. Well, we send to small towns in New Jersey by mail. We send—for instance, from Washington alone we have a distributing house in here and we send from Washington by mail to points in Virginia, Maryland, and near-by territory, because they can not afford to pay express charges, but they can go by mail, distributed from Washington to all these small towns. The operation of this law will work a severe hardship upon the small towns of the country. The large cities are provided for by having local deliveries, but the small towns and the villages will suffer. They will have to pay this great expense, because no express company will carry these papers there at reasonable rates, and you can not utilize the freight, because that is based upon 100 pounds for each shipment. Therefore they will be compelled to pay these increased charges. It does not fall on the large cities.

The CHAIRMAN. You say that you can send your magazines—your publications—to Washington by express for 40 cents. Is that right?

Mr. FARRELLY. About that.

The CHAIRMAN. Now, then, you stated that you would send by mail for about a dollar?

Mr. FARRELLY. Yes.

The CHAIRMAN. Now, you would be in the third zone. It is nearly 300 miles to New York. That puts it in the third zone. Now, the Post Office Department says it costs 3.86 cents. How do you reconcile those figures?

Mr. FARRELLY. They are counting in it all they lose on the free transportation in the counties, which amounts to several million. All the Government documents that are carried free are charged to the deficit, and that deficit is attributed to second-class matter and has been for the last 40 years, and every time it comes up it has been proven that this great amount of traffic turned into the department without a penny of return is all charged to the deficit, and that deficit is attributed to second-class matter.

The CHAIRMAN. I understand it now. [Laughter.]

Senator WATSON. It depends on local conditions. You take it in my State, where we have a very remarkable traction system; the

papers from Indianapolis go out on the traction lines and are thrown off at the traction stations and the news dealers get them, and I will venture to say, without knowing, that not 10 per cent of the entire publications of the city of Indianapolis use the mails at all.

Senator SMITH. But the point Senator Bankhead was making is this: Here is another means of transportation, namely, the express company, that brings from New York to Washington a hundred pounds of second-class mail at 40 cents. The witness said a moment ago that he could send that identical same hundred pounds by mail for \$1, whereas the estimate here under this proposed legislation is \$3.86 for the same 100 pounds.

Mr. FARRELLY. That is overhead.

Senator SMITH. I don't care where it comes from, whether it is overhead or under foot.

Mr. KOONS. Let me explain that, if you will. The hundred pounds that he mentions is in one package, and it is delivered to one man here. Now, our handling costs and overhead charges are made up for all services performed for second-class matter. It is true it may be in one package, but there may be 400 separate pieces to distribute and 400 separate deliveries to make, so that the service we perform and the service that he mentions do not compare at all.

Senator SMITH. The astounding factor about it is that I presume the express company that brings it for 40 cents is making a profit, or else they would not bring it, but the post office must have \$3.86 in order to simply cover the actual cost, and still at a loss to the Government of \$2.86, because you are bringing it for \$1.

Mr. KOONS. There is a great difference in the two services, Senator. Suppose he sends 100 pounds of the New York Times here to his agency. It is handled by the express company as one package, and one delivery is made at the depot. Now, suppose the New York Times sends 100 pounds of their paper here to subscribers. We have got to make at least 200 deliveries. We have got to handle at least 200 pieces of mail in the distribution, and we perform a service that the express company does not and can not perform. If you consider the transportation only, the service that the express company performs, we can perform it lower if we can get the same rates on the railroad as the express company.

Senator SMITH. So the additional costs come in from the additional distribution after the thing arrives here?

Mr. KOONS. Absolutely; the distribution and delivery. If you take the individual package that he mentions, we can perform the service that the express company performs for much less than \$3.86. That is the average handling costs and overhead charges. Some packages must necessarily cost much more, some much less.

There was something said yesterday about the administration of the service—the administration of this law. We have drawn up tentative regulations and submitted them to the publishers for their criticism. It is our intention to administer the law with as little inconvenience as possible to the publishers, and I think if permitted to work it out, we can administer it with practically little or no inconvenience to them. Now, as to the handling in the department and in the service, of course, that will be our problem to solve, but we do not think it is anything like as difficult as has been intimated and we believe we can handle it with very little increased cost.

Senator WATSON. Was this present idea worked out—that is, as suggested in this law—by the Post Office Department?

Mr. KOONS. Senator, there have been a number of bills drawn up. The Post Office Department urged that the flat rate on reading matter be maintained, and that advertising matter pay an increased rate. I think Senator Hardwick, as I recall it, introduced a bill that charged a flat rate on advertising matter, the rate to increase over a period of three years. I think the final flat rate was 8 cents. When the bill was in conference the question came up of placing the zone rate on advertising matter, for the reason that the flat rate would not be fair to the publications that were circulated within a very small radius. Require them to pay 8 cents on their advertising or the commercial part of the publication, the same as the paper that went to California.

Senator WATSON. So that you approve the general policy of the bill?

Mr. KOONS. Yes, sir.

The CHAIRMAN. Mr. Koons, will you explain to the committee what the effect of that provision of the law as it now stands with reference to advertising in the papers will have?

Mr. KOONS. Senator. I have talked to a great many publishers, and a number of them say it will not affect the quantity of advertising. Some say they can increase not only their rates for advertising but the quantity as well. Now, on the other hand, others say that that is absolutely impracticable. They say it is impossible to even increase the rates of postage. But I am sure they are mistaken, as the following memorandum, which we used before the Finance Committee, shows for one daily paper:

Date of issue.	Total column contents.	Advertising columns.	Per cent of advertising.	Subscription price (yearly).
July 1, 1914.....	98	46	46.94	\$2
July 7, 1915.....	84	36	42.85	2
July 5, 1916.....	70	28	40.00	3
July 4, 1917.....	98	63½	64.62	4

From the above table it will be observed that there has been no increase in the total column contents of this publication during the past three years, but the percentage of advertising has increased from 46 to 64 per cent and that of reading matter reduced accordingly. The subscription price has also been advanced from \$2 to \$4 per annum, an increase of 100 per cent. Not only have the quantity of advertising and the subscription price been increased, but it is also understood that the rates on display ads have increased 17 per cent.

Date of issue.	Total column contents.	Advertising columns.	Per cent of advertising.	Subscription price (yearly).
July 5, 1914.....	294	110	37.41	\$2
July 4, 1915.....	308	120	38.96	2
July 2, 1916.....	336	164	48.81	2
July 1, 1917.....	336	188	55.95	2

While there has been an increase of only 42 columns in the total contents of the publication during the past three years, the adver-

tising has increased 78 columns. Three years ago the percentage of advertising was 37.41, while now it is 55.95, or an increase of more than 18 per cent.

The CHAIRMAN. The main thing I wanted to know was, Do you derive any additional revenue from that provision of the bill which provides for this advertising scheme?

Mr. KOONS. Yes, sir. And another thing, Senator, it is thought by the publishers to be fair, and is advocated by a number of the publishers because it only taxes them to the extent that they commercialize their publications. In other words, if a publisher uses 25 per cent of his publication for advertising or commercial purposes, he only pays the zone rate on the 25 per cent of his publication that he commercializes. If he commercialize 80 per cent of it, as some of them do, he pays the zone rate on 80 per cent of his publication. Now, we have instances where some of these publications have inserted complete catalogues in their publications and sent them out at the cent-a-pound rate.

Senator WATSON. That was not a newspaper, though, was it?

Mr. KOONS. It was a trade journal. And the department would lose at least 4 cents on each one of those catalogues sent out in that way.

I know of another case where one publication issued a supplement which contained no reading matter at all, simply advertising matter, and sent it through the mail at 1 cent a pound, and it was sent broadcast all over the country—not with the publication but by itself.

Now, the zone rate on advertising, or segregating advertising from reading matter, was intended to reach publications to the extent that they commercialized their publications. When the present flat rate of postage law went into effect, as I have said before, the percentage of advertising was approximately 5 per cent. The new law maintains the flat rate where the publications do not exceed 5 per cent of advertising. In that case they would receive the flat rate of postage, but where they are over 5 per cent, then the zone rate applies. Now, the flat rate on the advertising, or the zone rate on the entire publication, would, at the rates suggested by some, work a tremendous hardship on a publication that has but a small percentage of advertising, and would make rates that are almost prohibitory.

Senator SMITH of South Carolina. Hence you graduated the percentage and had them pay according to the percentage of advertising.

Mr. KOONS. Yes, sir. In other words, if you will remember, instead of increasing the second-class rates of postage, it was suggested at one time that an advertising tax be added to the revenue bill because of the fact that publications enjoyed this low rate of postage, but after much consideration it was decided that if a tax was to be imposed because of the fact that publishers enjoyed this low rate of postage for the transportation of advertising matter, then they should be taxed to the extent that they used that privilege. And for that reason the proposed tax on advertising—I think it was fixed at 5 per cent at one time—was withdrawn and instead the Congress fixed zone rates for advertising in second-class matter. And it rests with the publisher himself. The publisher decides whether his paper shall have a high rate of postage or a low rate. If he uses but a

small portion for advertising, it has a very low rate of postage. And I want to say some publishers would object very strenuously to reopening or making any change in this proposition.

Senator WATSON. Wasn't that done on the theory, Mr. Koons, that the tax on advertising was really a tax on earnings—that is to say, that the real earnings of a newspaper are its advertising? Isn't that true?

Mr. KOONS. That may be.

Senator WATSON. There is no money made on circulation, as such; therefore a tax on advertising is a tax on earnings.

Mr. KOONS. There is another question, Senator, that enters into it. For instance, an evening newspaper may use the mail to a very limited extent, and yet it may be a very profitable paper. It would be taxed because it had the mailing privilege, although it did not use it to any extent, and if it were taxed on the net profit the paper that was economically managed and the business that was well conducted would have to suffer over the one that was uneconomically managed. And for that reason it was thought that to increase the postage rate to the extent that they commercialized the publication, based on the distance that the advertising matter was transported would be the fairest. The primary object of the present law is preserved in the new law; that is, a low, flat rate for the dissemination of news and reading matter.

The CHAIRMAN. Now, Mr. Koons, does the Government receive any more revenue for the transportation of this second-class mail with this provision in, this advertising provision in, than they would receive if it was left out?

Mr. KOONS. I don't believe I understand the question.

The CHAIRMAN. What I mean is this—I don't know whether I made myself clear, but what I would like to know is this: Here is a proposition intended to raise revenue for the Government. Now, you have inserted in the bill a provision relating to advertising. If that provision of the bill that refers to advertising was eliminated and you were left to derive your revenue from the transportation of papers without taking any account of the advertising as a revenue matter, would the Government get any more revenue than it does now?

Mr. KOONS. It would depend on the rates, Senator.

The CHAIRMAN. I am talking about the present rates, the present rates of carrying second-class matter independent of the advertising proposition.

Mr. KOONS. That is, if the rate was fixed at a cent and a quarter a pound, the flat rate that we have now?

The CHAIRMAN. Yes; just assume that.

Mr. KOONS. No; we would not receive as much money. If it was a cent and a quarter next year we would receive an increase of \$3,000,000 instead of \$4,900,000.

The CHAIRMAN. I am talking about this year. I am not going beyond this year. I am talking now about the cent-and-a-quarter flat rate on the first zone, 300 miles. Do you get the idea?

Mr. KOONS. Well, Senator, if it is fixed at a cent and a quarter on 300 miles the advertising is the same rate next year. There is no difference in the two rates for the first two zones.

The CHAIRMAN. I don't think you quite understand me yet.

Senator BECKHAM. He means, if you take out the provision which requires the apportionment as to the advertising in the publication. Just leave that out entirely; would we get as much revenue under this provision as we would if we left it in?

Mr. KOONS. No.

Senator BECKHAM. We would get more with that distinction?

Mr. KOONS. Yes, sir.

The CHAIRMAN. You would get more with the advertising provision left in?

Mr. KOONS. Yes, sir.

The CHAIRMAN. That is what I supposed.

Mr. KOONS. Because it increases as the zone above a cent and a quarter. The reading matter is a cent and a quarter flat next year for all zones, and the advertising is a cent and a quarter for the first two zones. Now, beyond that, of course, the rates increase.

Senator SMITH of South Carolina. So that you get an increase of revenue in exact proportion as to the percentage of papers that went beyond that zone?

Mr. KOONS. Yes. In other words, it would be an increase of about \$2,000,000 in revenue by leaving the advertising in. With the portion relating to advertising we would receive about \$2,000,000 more revenue next year.

Mr. McANENY. May I make just one suggestion, Mr. Chairman, to Mr. Koons? I assume that the extreme cases that he has mentioned of the ratio of advertising to news are not newspaper instances. You have a very direct and authoritative information on that subject now at hand in the files of the Federal Trade Commission. Since the Government began its active interest in the price of paper and the relief of the publishers required under that head, the Federal Trade Commission have been receiving monthly reports from the largest consumers of news-print paper, reports that incidentally give the ratio of advertising to news. The most recent report, I think—that for April, covering about 600 of the chief daily newspapers of the country—shows a ratio of 46 per cent advertising to 54 per cent news. That is based on a month in which advertising runs highest. The highest advertising months are April and October with the daily newspapers. That proportion, therefore, I think may be accepted as more than a fair average, and it is based on Government authority.

As to the operation of the rule that divides the two, that of course in the case of the daily newspapers is merely expressing the zone system in another way. The newspapers can not afford to reduce materially the proportion that they give to advertising—for instance, the proportion that I have just mentioned. Under any system of postal regulation those proportions would continue to be about in that ratio if the newspapers are to be able to go on with their business, and therefore you do get a zone system with results in the composite rates, perhaps, not very different from those proposed, for instance, in Senator McKellar's amendment. The difference, however, would be the issuing of some method of applying it and the discouragement to a certain amount of circulation of advertising that is essential to the country's business. Now, the receipts of the newspapers from subscriptions just about pay the cost of the raw white

paper. In other words, all other expenses of the manufacturer of the paper and of administration are met out of the receipts from advertising, and whatever profit is realized is met from that source. Therefore when Mr. Koons speaks of discouraging the commercial use of the publication, if he means the newspaper—which I doubt somewhat—he would suggest something that is impossible, for that commercial use is absolutely essential to its news use and to every service that it renders to the public otherwise.

Senator VARDAMAN. I did not understand Mr. Koons to say that he discouraged the use of it as an advertising medium, but his idea was that the money-making department of the paper ought to bear a legitimate proportion of the expense of transmitting the paper. That part of the paper, of course, is not educational. That part of the paper is not conducted in the interest of the public as the reading matter is. That is what I understood Mr. Koons to say.

Mr. McANENY. Senator, if you will permit me, we feel that the advertising parts of the newspaper are educational to a considerable degree; that they are in the interest of the public for the reason that the business of the country is based upon them and they are indispensable to a complete newspaper. In other words, a newspaper in America as we understand it and as the Government understands it, I think, is made up half of news for the purposes of news, and half of advertising for the purposes of advertising.

Senator SMITH of South Carolina. At least it helps to support the educator in getting out the education that is in his paper.

Mr. McANENY. Yes, sir; and he can't do without both in about the ratio now employed.

Senator WATSON. Sometimes the advertising is more educational than the reading matter.

Mr. McANENY. I have known it to be.

Mr. KOONS. Our figures on the percentage of advertising in the daily papers bear out the statement made by Mr. McAneny. It was not the intention—and if I was so misunderstood it was an error—that we desired to discourage advertising, but the only proposition is to let the publisher pay on his advertising to the extent that he uses his publication for that purpose. Now, if advertising is to have a low rate of postage because it is educational, the same thing will apply with equal force to the catalogue of the mail-order house. It will apply to every kind of advertising that is sent out, and they should have a cent a pound flat rate, just the same as the newspaper, if it is to be considered on that basis.

Mr. McANENY. But that is advertising pure and simple.

Mr. KOONS. If you will look at some of the journals and papers that are sent by second-class mail you see they are the same thing.

Mr. McANENY. As to the payment of the tax upon the revenue of the newspaper derived from advertising, I may tell you, gentlemen, and assure you, that that tax is to be paid in common with every other income tax that is collected from industry under the other clauses of the war-revenue bill.

Mr. KOONS. But there is no special tax on advertising.

Mr. McANENY. No special tax, and we have always contested the theory that there should be two taxes put upon the publisher, upon his income. He pays his income from every cent—a tax upon every cent of that advertising through the income and excess-profits tax.

The CHAIRMAN. Well, that is rather double taxation, is it not?

Mr. McANENY. Exactly, in our view.

Mr. KOONS. But the special tax that was proposed to be imposed because of the fact that it enjoyed the second class privilege was not imposed, but the postage rates were increased to cover the extent that you use it.

Now, it has been stated that it is impossible to increase the subscription prices. Here is a clipping from one of the metropolitan papers which says:

Magazines as well as all the newspapers have been hard hit by the increase in the price of print paper, and many periodicals have been forced to raise their price.

Then it goes on and lists a number of prices:

This is a partial list of magazines that have of necessity been compelled to increase subscriptions. Nearly 100 newspapers in the United States have had to raise prices and have notified their readers that the increase will go into effect with the new year. Most of the newspapers of the country are now making contracts for their white paper.

Senator VARDAMAN. I think I have received probably a thousand letters—these chain communications that have been sent out—urging me to vote for the repeal of this law, because the people in my State—some of these correspondents wrote me—would be compelled to pay more for their publications which they had received heretofore and which were a great inspiration to them—agricultural and other magazines. Somebody has been talking about raising the prices, whether they intend to do it or not.

Mr. KOONS. Well, another statement that I want to make now is along the increased subscription price. A number of papers have increased the subscription price during the past year 100 per cent. Now, you take a very large number of the publications, it would not be necessary for them to increase—if the entire increased cost is placed on the subscriber next year—to increase the subscription price not more than 25 cents, and some of them even less than that: a few, perhaps, more. Of course, as you reach the extreme distances it would be greater than that. Now, I do not think there is any question but what this can be prorated or averaged, and that the publishers can bear this additional expense. It is just a question of whether the publishers are willing to do a little constructive work or not.

Now, I do not know that there is anything else that I have.

The CHAIRMAN. If there is no member of the committee who desires to ask any questions, we will excuse you if you are entirely through. If you have anything that you wish to put in the record you may insert it.

Mr. KOONS. I have some things that I will insert.

The position of the Post Office Department regarding this legislation and the rates of postage on second-class matter is fully covered in the last annual report of the Postmaster General, and is as follows:

SECOND-CLASS MATTER.

Newspapers and periodicals mailed as second-class matter at the cent-a-pound rate and free in the county of publication during the fiscal year 1917 aggregated 1,202,339,658 pounds, a decrease of 131,018 pounds as compared with the preceding year. The postage collected on such mailings amounted to \$11,416,204.56,

an increase of \$32,674.54 over the previous year. A table showing the weight of mailings of second-class matter, by States, will be found in the appendix to this report.

On June 30, 1917, there were 10,871 post offices at which publications were entered as second-class matter. Fifty of these offices having the largest mailings collected 80 per cent of the total postage paid at the cent-a-pound rate.

During the fiscal year 4,687 applications were received for admission of publications to the second class of mail matter, for change in title, frequency of issue, or office of publication. The number of applications favorably acted on was 4,000, while 687 applications were denied. During the same period the issuance of 4,091 publications having a second-class status was discontinued, leaving 29,781 publications passing in the mails on June 30, 1917, at the second-class rates of postage, a decrease of 91 as compared with the previous year. At the close of the year 1,849 news agents held permits to mail second-class publications at the rates applicable to second-class matter.

Notwithstanding the high cost of print paper and other increased expenses connected with the publishing industry as the result of the abnormal conditions now existing, the mailings of second-class matter during the fiscal year 1917 were but slightly under those for 1916, which were the greatest in the history of the service. Since the cost of handling and transporting this class of mail is several times the revenue received therefrom, the drain imposed upon the postal revenues has continued unabated, thus emphasizing the necessity pointed out in previous reports for some readjustment of the rates thereon. The question was considered by Congress at its last session in connection with the war-revenue measure, which finally became law October 3, 1917.

This act provides for an increase in the rates of postage for first-class mail and for a graduated increase in the rates on second class. It continues a flat rate on the portion of the publication devoted to reading matter and establishes zone rates on that devoted to advertising. The maximum rates on advertisements, however, will not be reached until July 1, 1921. A tax is also imposed on parcel-post packages when the postage amounts to 25 cents or more. The language of the act clearly indicates that the increased rates on first-class mail and the tax on parcel post were imposed as a war tax and therefore only temporary, while the rates on second class were to partially reimburse the department for the enormous loss it suffers in the handling of this class of mail and is permanent legislation. The department does not favor the use of the postal system as a means of raising revenue except to meet the cost of the service, and so informed the committees of Congress.

The rate of postage on second-class mail has been the subject of a number of extended investigations and an increase in the rates has been recommended many times. The difference between the revenue from this class of mail and the admitted cost of its transportation and handling is so great and the proof so conclusive that the publishers could no longer hope to secure some just and remedial legislation by Congress. It was for Congress to decide when it would legislate upon the subject, and it deferred such legislation until a time when it was dealing with many other questions which appealed to the patriotism and sense of fairness of the people.

When it became apparent that it was the purpose of the Congress to pass some legislation increasing the rates of postage on second-class matter, the Postmaster General conferred with many publishers, but at no time was he able to suggest a method of increasing the rates which would be acceptable to all. After the most careful consideration he suggested to Congress that the principle so long existing—that of a low flat rate on reading matter provided for in the basic act admitting publications to the mails as second class—be continued. He also pointed out that the character of many publications had materially changed with the development of business, and a new element had been introduced which did not exist at the time the low flat rate was authorized. This new element was the introduction of advertising matter, which has grown to such an extent as to exceed the reading matter contained between the covers of many publications, in many instances amounting to as much as 60 or 70 per cent, and in some even as high as 80 per cent of the entire publication. It is but fair and just that this matter pay a higher rate. The department was at all times scrupulously fair to the publishers in presenting its suggestions and statistics.

The committees of Congress and the Congress itself also gave a most thorough consideration to all phases of the subject. The advisability of continuing the flat rate on reading matter and applying the zone rate to advertising matter

was extensively discussed. While some publishers objected strenuously to a zone system of rates for advertising matter, others agreed that it was equitable and just. If Congress had abandoned the idea of applying the zone system and confined itself to an increase on the basis of a flat rate, the same strenuous objection would no doubt have been exerted against the change which was exerted against the zone rates for advertising matter.

The merits and demerits of the law as passed should be considered impartially. There should be far less objection to the increase in the rates on second-class mail than to those on first class. It is a well-known and undisputed fact that in the handling and transportation of the latter the department makes a profit of approximately \$60,000,000 a year. This is used to partially meet the enormous loss sustained in carrying and handling second-class mail, which is conservatively estimated at \$72,000,000 each year. If it was necessary to increase the postage rate on first-class mail for the purpose of raising revenue, it is apparent that a great injustice would have been done the people if no effort whatever had been made to increase the rates for second class. The Congress realized that the business of the publishers was adjusted to the prevailing low flat rate of postage and great consideration was shown to them in framing the law. While the new rate on first-class mail became effective within 30 days after the passage of the act, the rates for second class will not be effective until July 1, 1918, and the increase then will be but slight. Additional increases are distributed over a period of three years, which should give the publishers ample time to readjust their business to meet the new rates.

The law continues the existing policy of a flat rate for that portion of the publication devoted to reading matter. This policy has been recognized by Congress for many years and is a wise one. Its continuance as to reading matter of every kind is a complete answer to the criticism that the zone system applied to advertising matter will build up sectional papers and prejudices. It does not put any greater limitation upon the dissemination of information or the circulation of literature than now exists, but because of the radical change which the development of the publishing industry has brought about by the large increase in advertising in these publications, the law wisely recognizes the distinction between reading matter and that which is purely advertising. As advertising matter is in all respects the same as third-class matter except its method of circulation, a higher rate is fixed thereon. This rate is proportioned according to the cost of handling and transporting it to the several zones. The publisher whose matter is transported the greatest distance and thereby entails the greatest cost to the department because of the long distance hauled should pay the higher rate of postage. The zone system requires this, and is therefore sound and entirely fair. Even on the shorter hauls the existing low flat rate of postage is insufficient to meet the expense of handling and transportation, and when viewed from a financial standpoint wholly it would be advantageous to the department if the publications transported and delivered as second-class mail were handled through other means than the Postal Service.

It has been argued that second-class mail should enjoy the low flat rate of postage because credit should be allowed for the amount of first-class postage revenue which results from it. The truth is that if we allowed the Government for all third-class revenue which it loses on these advertisements because they are mailed as second class and the first-class postage that would result from them if sent as third class the difference in favor of this claim would be negligible. The same argument for a low flat rate of postage could also be used with equal force for catalogues and third-class mail of all kinds, as they too create a large quantity of first-class mail.

When the advertising does not exceed 5 per cent of the entire publication it is exempt from the zone rates and is transported at a flat rate for reading matter, which is in accordance with the spirit of the original acts.

The rates which apply to reading matter are lower than any ever recommended by any investigating committee, and the final rates for advertising when a part of the periodical are on the average much lower than the advertiser would be required to pay if such advertising were sent as third-class mail. Even when the maximum rates provided in the law are reached the rate on reading matter will be $5\frac{1}{2}$ cents less than the average cost to the department for the transportation and handling, and a heavy loss will still be incurred.

Some publishers claim that they can not pay a higher rate of postage. It must be conceded that the plea that legitimate business can not readjust itself to the normal cost of its conduct is without merit. They also claim that the increase on that portion of periodicals devoted exclusively to advertising matter

will result in the discontinuance of advertising and therefore the discontinuance of the periodical, which argues that this business can not pay its legitimate expenses. This is not believed to be true of the publishing or any other legitimate business.

This increase in rates on second-class matter will enable the department immediately after the war to take the first step toward 1-cent letter postage; that is, to recommend that the rate on drop letters be reduced from 2 cents to 1 cent an ounce or fraction thereon, and when the rates on second-class matter more nearly meet the cost of transportation and handling such matter the final step toward 1-cent letter postage can then be taken.

Average haul of different classes of publications, as shown by the department's testimony before the Highes Commission.

	Average haul, miles.
Daily newspapers:	
Subscribers' copies.....	255.41
Sample copies.....	315.25
Subscribers' copies and sample copies combined.....	255.75
Weekly and other than daily newspapers:	
Subscribers' copies.....	489.89
Sample copies.....	495.99
Subscribers' copies and sample copies combined.....	490.13
Scientific periodicals:	
Subscribers' copies.....	793.82
Sample copies.....	790.21
Subscribers' copies and sample copies combined.....	793.62
Educational periodicals:	
Subscribers' copies.....	641.91
Sample copies.....	706.29
Subscribers' copies and sample copies combined.....	644.27
Religious periodicals:	
Subscribers' copies.....	598.38
Sample copies.....	666.47
Subscribers' copies and sample copies combined.....	599.27
Trade journal periodicals:	
Subscribers' copies.....	704.86
Sample copies.....	736.02
Subscribers' copies and sample copies combined.....	707.11
Agricultural periodicals:	
Subscribers' copies.....	520.83
Sample copies.....	576.51
Subscribers' copies and sample copies combined.....	525.49
Magazines:	
Subscribers' copies.....	907.64
Sample copies.....	1,027.02
Subscribers' copies and sample copies combined.....	920.79
Miscellaneous periodicals:	
Subscribers' copies.....	991.52
Sample copies.....	948.21
Subscribers' copies and sample copies combined.....	990.53
All classes:	
Subscribers' copies.....	527.41
Sample copies.....	828.46
Subscribers' copies and sample copies combined.....	540.09

STATEMENT OF MR. GEORGE McANENY, NEW YORK CITY.

Mr. McANENY. Mr. Chairman, I do not wish to bore you with too many appearances in this matter, but I assume that the form of discussion that has proceeded throughout Mr. Koons's testimony is possibly helpful to the committee; and there is one other point that has been made that I would like to throw a little light on—the question of the costs of the publisher, those that have accrued during the past

18 months because of rising prices and those that we see in prospect. The cost of paper will continue to rise, so far as all indications that we have at hand are concerned, but quite as serious as that there now comes the question of labor. The Government has interfered within the past two days in the proposition of the paper-making labor unions to force increases in their scales, effective to-day, ranging from 25 to 35 or 40 per cent, with very large corresponding increases in the cost of manufacture.

Senator WATSON. You say the Government has interfered?

Mr. McANENY. The Government, through the Federal Trade Commission and through the Board of Conciliation—the Taft-Walsh commission. The manufacturers and publishers, representatives of each, met at the Federal Trade Commission yesterday, and each side, through their representatives, accepted an agreement under which this matter is to be referred to the Taft-Walsh Commission, and whatever their judgment may be is to be accepted and is to go into effect as a new wage schedule, dating back to the 1st of May. Inevitably that decision will add considerably to the existing costs.

I mention that as only one of the things that we see in prospect. The same thing is true in other lines of labor involved in the manufacture of the newspaper itself. For the very reasons that have prompted consideration of higher rates for postal employees, industries and employers have got to recognize a certain amount of justice in these claims. They belong to the increased costs of living that are prevalent everywhere. As to what those rates shall be that is, of course, a proper question for mediation and the good offices of the Government; but we look for substantial increases in the future. We have gone as far as we can go in meeting the old and the new costs through the methods that we have at our command. We do not say that there will be no increases in rates of advertising imposed during the year or two years that are to come. I note that in a report of yesterday's proceedings something that I had said was given that construction. Where it is possible to secure from advertisers a larger contribution toward these rising scales of costs, naturally they will be asked to contribute more, but I did say—and this is the fact—that they have already been called upon, as the figures cited by Mr. Koons indicated, to pay a large share of these increases, and how much further we can go in that line I do not know. If Congress will pass a law compelling advertisers to insert their advertisements in our publications, that, of course, could assist us materially, but we doubt whether you would be willing to go to that expense.

Senator VARDAMAN. You don't think that would come under that rule of compulsory education? [Laughter.]

Mr. McANENY. It might. I was merely going to add this suggestion, that apropos of the necessary doubt that exists about the correct charges that should be made to the several classes of postal matter, the Post Office Department can not help it. For years it has been the case that they must depend upon estimates. The Hughes Commission, which was the last important body—at least the last to investigate upon that scale—the Hughes Commission reported that it could base many of its conclusions only upon estimates. It spoke with some regret of the fact that there was not a greater amount of material at hand more exact and more enlightening. That condition still prevails in a large degree. Some evidence of it is shown in the

fact that while the rates of cost based upon estimates that Mr. Koons cites are in the schedule attached to Mr. Stewart's statement, the rates of increases that you are asked to make are considerable out of proportion to that schedule of cost. For instance, in the fifth year of this plan, under the maximum rate provided on the basis of 50-50 news and advertising in the first zone, against the estimated cost of \$5.44, you have a charge proposed of \$1.75, which is only 32 per cent of this entire alleged cost. It is 32 per cent in the second, but in the third zone it is proposed to make it 41 per cent, and in the fifth zone 53 per cent, and in the zones that follow, correspondingly in the neighborhood of 50 per cent. In other words, it is proposed to establish a sliding scale of additional charge based upon cost. Here at the outset you have a good deal of inequality that would result from the operation of this particular plan.

We earnestly hope that a part of your plan may be to assist the Post Office Department in producing information that will be more reliable than the information at hand.

Now, just a final word as to our representation here. As I said yesterday, my own appearance is as chairman of the postal committee of the American Newspaper Publishers' Association, not as the representative of any one of them, but as the representative of 500 of them. The association in its recent meeting discussed this matter, I might say for several hours through a series of sessions. The result of that discussion was crystalized in the resolutions presented here protesting against the present plan, asking that there be modifications along the lines proposed by Senator McKellar, and that if Congress is not prepared to go ahead with a new plan now, that it at least and finally—and in my judgment most important of all—that there should be a postponement pending inquiry.

Now, in coming here, therefore, it is not a matter of a committee of 20 that appeared yesterday, or three or four who appear to-day, but it is the appearance of those who have been commissioned to speak for the sentiment that was expressed in that great convention of newspaper publishers. And their action was indorsed by the southern and inland associations, and it is practically the united proposal of the press.

I think, gentlemen, that in view of the service that the press is naturally called on to perform to-day, of the many perplexities that surround it of a business nature as well as otherwise, of the doubt in all of this, of the trivial comparative return that would come in the first year of operation from this plan, that the press of the country is rather entitled to ask that there shall be a postponement until we get into clearer water and until we may go ahead with more definite knowledge as to what the result will be and we present that request very earnestly.

Senator SMITH of South Carolina. Mr. Koons, I want to ask you this question: Do you know about what the cost to the Government is for the transportation of the Congressional Record and frankable matter and public documents?

Mr. KOONS. We have those figures in the department, of all franked matter, and I can insert it in the record, Senator. I do not know the figures offhand.

Senator VARDAMAN. I wish you would do that.

Mr. KOONS. I think we have those statistics.

The matter referred to follows:

The average cost per pound of transporting and handling franked matter and penalty matter, respectively, in 1908, as ascertained by the estimates revised to October 21, 1911, submitted on that date to the Hughes Commission, was as follows:

	Cents.
Franked matter	15. 66
Penalty matter	10. 45

The Congressional Record was, no doubt, mainly classed under penalty matter in the statistics forming the basis of estimates, and public documents would be divided between penalty and franked matter, being franked when sent under the frank of a Member of Congress (Representative or Senator).

The estimated total weights of mails of these two classes for the year, based upon the special weighing of 1907, were as follows:

	Pounds.
Franked matter	4, 531, 080
Penalty matter	43, 092, 474

The average cost per pound of transporting and handling each of the classes of mail matter in 1908, as ascertained by the same estimate, was as follows:

	Cents.
First	56
Second (all)	8. 33
Third	15. 23
Fourth	8. 15
Congressional free (franked)	15. 66
Departmental free (penalty)	10. 45
Foreign	10. 92

Revisions as to second class for years subsequent to 1908 have been made since, but not as to the other classes.

Senator VARDAMAN. Of course that is all charged up in this other matter?

Mr. KOONS. Well, a separate account was kept of it.

Senator VARDAMAN. But you don't get anything from it, and these others have got to be charged with it.

Mr. KOONS. That is not included in these costs on second-class matter. That is included in the cost of handling franked matter, and it bears its proportionate cost of the whole.

Senator VARDAMAN. But it comes from the general revenue. It is charged to the expense.

Mr. KOONS. Not in this overhead charge on second-class matter. It does not include that.

The CHAIRMAN. How do you account for that?

Mr. KOONS. There is a separate account kept.

The CHAIRMAN. I know you have got a separate account, but it costs money to do it.

Mr. KOONS. It costs money to do it, of course. But the money is derived from postage of first, third, and fourth classes of mail to pay not only this cost but the \$72,000,000 that it costs to handle second class. When the account was kept of the costs it was kept for handling each different class of mail matter. We kept the cost of first-class matter, the second-class matter, the franked matter, third class, and fourth class.

Senator VARDAMAN. Really, as a matter of fact, all the expense of franked matter is not charged up to the newspapers in this estimate, then?

Mr. KOONS. No; none of it is charged to the newspapers.

I would like to make one statement that I overlooked, and that was this: The statement was made yesterday—and Mr. McAneny repeated it—of the service performed by the press during this war. Now, of course, we do not wish to minimize in any way what the press is doing, and we appreciate very much the service that the publishers are doing, but I do not think this fact should be overlooked: That while they are rendering that service the Government is rendering them a service of \$72,000,000 a year for which it receives not a penny in return.

Mr. McANENY. Isn't that service rendered to the subscriber, Mr. Koons? It isn't money that goes to the publisher. If it were, we would have it. We know we haven't got it.

Mr. KOONS. It is a question of whether the publishing business should pay its way or be a tax of millions annually on the public.

Mr. McANENY. Exactly. I only want to add that in suggesting that because of the service given by the press certain consideration should be given it, I do not mean financial consideration. I can not repeat that often or too urgently. I speak of the reduction of circulation that would cripple the press and injure its efficiency at a time when its services are so greatly needed.

Mr. KOONS. Hasn't the circulation of the press, generally speaking, increased during the past year?

Mr. McANENY. I can not say about the aggregate. In New York City, for instance, it is considerably less because of the raising of the price of paper.

Mr. KOONS. Hasn't the quantity of advertising increased in New York City publications during the past year?

Mr. McANENY. I think not. I think that the monthly statements that are printed show in the aggregate a considerable net reduction.

Mr. FRANK P. GLASS (president American Newspaper Association). For the month of January there was a 27 per cent decrease in New York City.

Mr. McANENY. Decreases in advertising and decreases in circulation naturally followed the raising of the price.

Senator VARDAMAN. This proposed legislation had nothing to do with that, did it?

Mr. McANENY. No; those are things we have already suffered.

Mr. KOONS. Another thing I want to insert in the record, and that is this—these figures were furnished me by a newspaper man last night—the newspapers' estimated gross receipts from advertising are \$275,000,000 annually. Now, this increased cost next year for postage would be less than 1 per cent of the gross receipts from advertising alone.

Estimated gross receipts from advertising.

Newspapers	\$275, 000, 000
Magazines	60, 000, 000
Farm and other publications	75, 000, 000
Bill posters and outdoor advertising	55, 000, 000
Street car advertising	10, 000, 000
Novelties	30, 000, 000

Mr. McANENY. It is the percentage of their margin of profit that counts.

Mr. KOONS. The statement has been made by some publishers that 50 per cent of the publications go beyond the third zone—that is, the mail subscriptions. If that is true, I do not see how they can possibly stand the McKellar amendment if they can not stand the other, because the first year, you take a publication in New York City under the McKellar amendment the rates would have to be doubled. Your subscription price is \$10 a year, isn't it, Mr. McAneny?

Mr. McANENY. Mail subscription.

Mr. KOONS. I think you said that your annual weight to the subscriber was 180 pounds?

Mr. McANENY. About 185 pounds.

Mr. KOONS. Now, on that basis you would have to increase the subscription price to \$21 the first year under the McKellar amendment to the subscriber in San Francisco.

Mr. McANENY. In the ultimate zones the McKellar scale would be slightly higher than the proposed bill.

Mr. KOONS. And it would go into effect at once, while the other is graduated. In other words, the McKellar amendment will raise \$10,000,000 the first year as against \$4,900,000 under the law that has been enacted.

The CHAIRMAN. He is going upon the idea that of the circulation of papers out of New York City, and everywhere else, only about 10 per cent of them go beyond the zone limit of 300 miles.

Mr. KOONS. I think he is right about that. I think a great many of them would only be 5 per cent, and that would practically leave the present rate of 1 cent a pound for newspapers.

Mr. GLASS. Except on the advertising section.

Mr. KOONS. The McKellar amendment does not segregate advertising. I am talking now about the McKellar amendment.

Senator SMITH of South Carolina. I haven't given this the study yet that it seems to deserve and which I hope to give it, but it does seem to me that as the newspapers are such a necessary evil, such a pleasant one or an agreeable one, it does seem to me that if it is 50-50 as between certain periodicals and newspapers that there will be almost a unanimous opinion that if there is to come an increased burden the bulk of that should be upon those that are not essential. Newspapers to-day are absolutely essential to the circulation of news that is vital to us.

Mr. KOONS. That is exactly what will occur ultimately. The first year, of course, the increase will be almost 50-50, as you suggest, but after the first year, especially after the second year, the increase will be much heavier on the magazines, because they are sent to distant zones. So of your \$15,000,000 increase, ultimately about \$11,000,000 of it would be placed on the magazines and other publications and only about \$4,000,000 on the newspapers.

Senator SMITH. If they would write the news like I want it, I would almost vote for them to have no postage at all. [Laughter.]

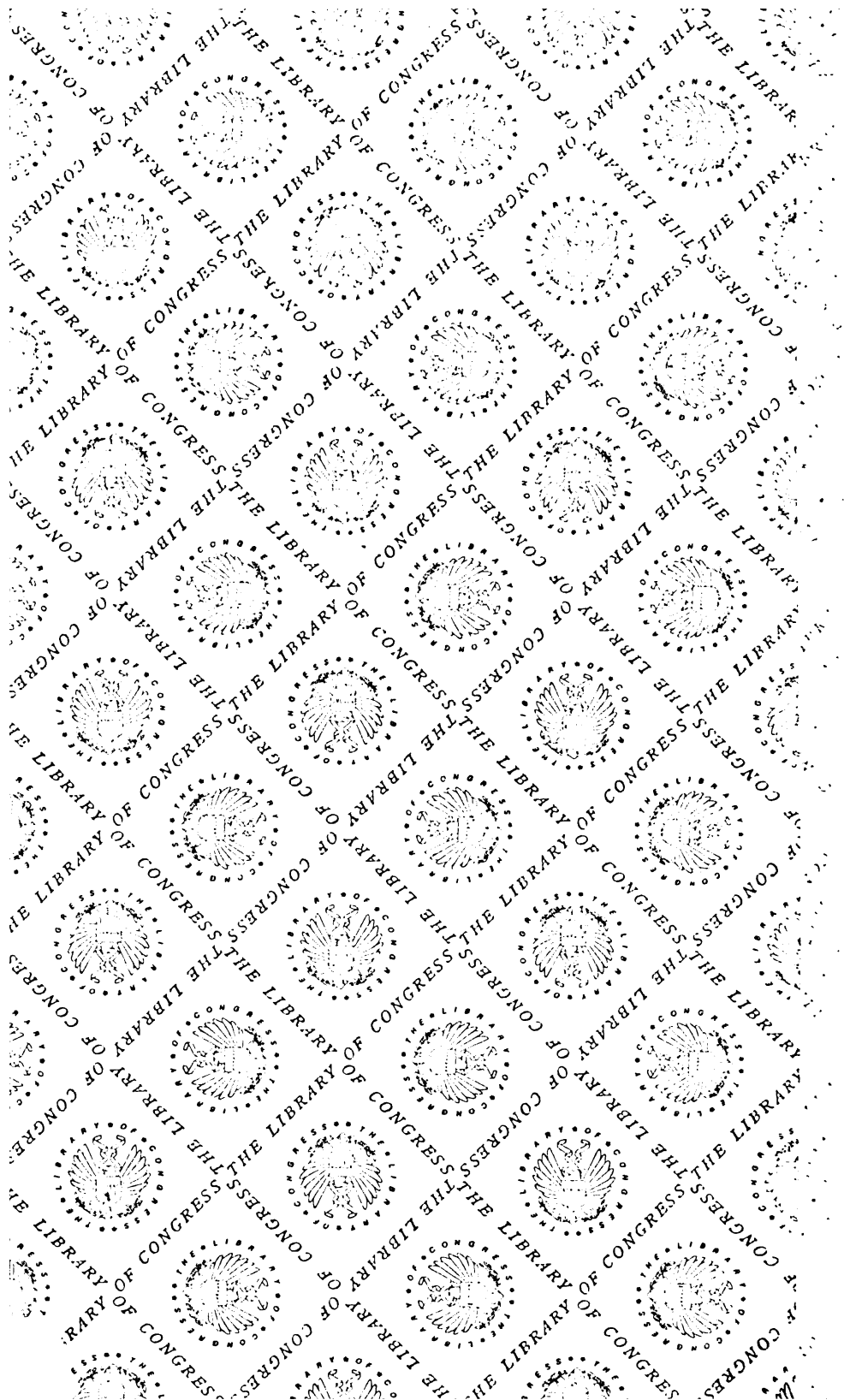
Senator VARDAMAN. Certainly they will know how to get your vote now. [Laughter.]

The CHAIRMAN. I think that is all now, gentlemen, and we will adjourn.

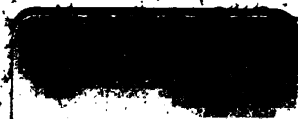
(Whereupon, at 4.15 o'clock the committee adjourned.)

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1. The first part of the document is a list of names and titles, including "The Hon. Mr. Justice" and "The Hon. Mr. Justice".



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